

**Report to:** Pension Board

**Date of meeting:** 30 May 2023

**By:** Chief Finance Officer

**Title:** East Sussex Pension Fund (ESPF) 2022/23 Outturn report

**Purpose:** This report provides the financial outturn of the ESPF for the 2022/23 financial year

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## RECOMMENDATIONS

The Pension Board is recommended to note the report.

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### 1. Background

1.1 This report provides the outturn financial position for 2022/23 for the East Sussex Pension Fund (the Fund or ESPF).

1.2 The business plan and budget sets out the direction of travel, objectives and targets to be achieved in the management of the Fund. The budget and business plan for 2022/23 was approved by the Pension Committee at its meeting on 24 February 2022.

1.3 As reported at the last meeting on 22 February 2023, the budget estimates do not incorporate any provision for investment fees earned by the alternative fund managers since these are deducted at source by asset managers.

### 2. 2022/23 Final Outturn Position

2.1 The budget requirements for 2022/23 were set at **£7.141m** (£7.205m 2021/22) to support the Business Plan activities and administration of the Fund.

2.2 The final outturn position of 2022/23 is **£5.743** (forecast £5.793m in Q3), **a decrease of £0.050m** from the last reported position. The 2022/23 outturn against budget line items is shown in the table below.

2.3 The underspend mostly relates to other administration projects which have been postponed whilst awaiting clarification from government and manager fees being invoiced lower than anticipated due to negative investment performance in the quarter. These were offset by some increases on staff costs recharges from East Sussex County Council and external audit fees. The main movements to the budget are detailed in Paragraphs 2.4 to 2.7.

## 202022/23 Outturn Report

2021/22 Outturn £000	Item	2022/23 Budget £000	2022/23 Actual Outturn £000	2022/23 Forecast Outturn Q3 £000	Variance to Previous Quarter £000
	<b>Pension Fund Staff Costs</b>				
1,234	Staffing	1,900	1,483	1,435	(48)
2	Recruitment costs	5	(1)	-	1
<b>1,236</b>	<b>Sub Total</b>	<b>1,905</b>	<b>1,482</b>	<b>1,435</b>	<b>(47)</b>
	<b>Pension Fund Oversight and Governance</b>				
55	Actuarial	200	125	133	8
57	Employer Actuarial work	80	69	76	7
-38	Employer recharges	(80)	(76)	(77)	(1)
-	Governance consultancy costs	-	70	60	(10)
-	Communications	42	7	5	(2)
8	Training Costs	30	13	20	7
47	External Audit – Grant Thornton	35	59	24	(35)
279	East Sussex County Council recharges	249	206	184	(22)
56	Legal Fees	78	56	55	(1)
70	Subscriptions and Other Expenses	72	87	81	(6)
<b>534</b>	<b>Sub Total</b>	<b>706</b>	<b>616</b>	<b>561</b>	<b>(55)</b>
	<b>Investment activities</b>				
216	Investment Advice	135	155	150	(5)
21	ESG Advice	50	24	24	-
139	Custodian	136	101	97	(4)
110	ACCESS	125	117	125	8
3,210	Investment Manager Fee Invoices	2,872	2,175	2,208	33
<b>3,696</b>	<b>Sub Total</b>	<b>3,318</b>	<b>2,572</b>	<b>2,604</b>	<b>32</b>

2021/22 Outturn £000	Item	2022/23 Budget £000	2022/23 Actual Outturn £000	2022/23 Forecast Outturn Q3 £000	Variance to Previous Quarter £000
	<b>Pension Administration</b>				
150	East Sussex County Council recharges	281	194	198	4
98	System Services and License	346	378	394	16
156	Consultancy & Service Providers - Benefits	100	206	218	12
-	Other Administration projects	150	13	65	52
218	Admin operational support services	289	262	269	7
14	Other Expenses	50	35	52	17
(3)	Other Income	(4)	(15)	(3)	12
<b>633</b>	<b>Sub Total</b>	<b>1,212</b>	<b>1,073</b>	<b>1,193</b>	<b>120</b>
<b>6,099</b>	<b>Total</b>	<b>7,141</b>	<b>5,743</b>	<b>5,793</b>	<b>50</b>

2.4 An increase of £48k and £22k is being reported in the outturn for 2022/23 on staffing and East Sussex County Council recharges for overheads, which are linked to staffing costs. This relates to an error on prior quarter budget monitoring that resulted in an accrual for 2021/22 being double counted in the totals, this has been corrected as part of the outturn position.

2.5 The expected expenditure for external audit has increased by £35k, following the receipt of the external audit workplan which advises the fee for 2022/23 is £12k higher than anticipated following prior year estimates. There is an expectation that the 2021/22 audit will also be around £47k however as this is still being undertaken there are unable to confirm the exact amount for 2021/22.

2.6 There is a reduction of £33k in the manager fees based on the values of the assets under management with the respective investment managers being lower than anticipated at the quarter end.

2.7 There is a reduction of a £52k that relates to the other administration projects this covers arrange of projects that were expected to start this year that have not progressed as anticipated. There are different reasons for each project such as the McCloud project is behind schedule with information gathering still taking place. Pension dashboard and member self-service work will take place in late 2023 and 2024.

### **3. Conclusion and reasons for recommendation**

3.1 The Board is recommended to note the Final 2022/23 outturn position.

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