

Report to: Pension Committee

Date of meeting: 16 November 2023

By: Chief Finance Officer

Title: Quarterly Budget Report

Purpose: This report provides the Quarter 2 forecasted financial outturn of the ESPF for the 2023/24 financial year

RECOMMENDATIONS

The Pension Committee is recommended to note the report.

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 22 February 2023 the Pension Committee agreed a budget of **£4.463m** (£4.269m – 2022/23) to support the business plan for 2023/24. The budget estimates do not incorporate any provision for investment fees earned by the investment managers since there is limited scope for the Fund 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 along with other decisions affecting these such as strategic asset allocation changes.

2. 2022/23 Quarter 2 Forecast Outturn Position

2.1 The forecast outturn at the second quarter of 2023/24 is **£4.309m**, a **reduction of £0.154m** from the approved budget. The 2023/24 outturn against budget line items is shown in the table below. The underspend relates to a reduction in staffing costs anticipated in the year and a reduction in actuarial invoices received to date, this is offset by increases on consultancy and investment advice costs discussed in more detail in paragraph 2.2 – 2.3

2023/24 Outturn Report

2022/23 Outturn £000	Item	2023/24 Budget £000	2023/24 Actual Outturn Q2 £000	2023/24 Forecast Outturn Q2 £000	Variance to Budget £000
	Pension Fund Staff Costs				
1483	Fund Officers	2,023	823	1,834	189
(1)	Recruitment costs	-	-	-	-
1,482	Sub Total	2,023	823	1,834	189
	Oversight and Governance Expenses				
318	Investment Advice	392	230	408	(16)
125	Actuarial Fund Work	87	4	59	28
69	Actuarial Employer Work	81	36	79	2
(76)	Employer reimbursement	(81)	(19)	(79)	(2)
56	Legal Fees	69	15	74	(5)
48	Governance consultancy costs	70	16	68	2
96	Audit	71	(56)	71	-
636	Sub Total	689	225	680	9
	Investment Expenses				
101	Custodian	97	(46)	97	-
101	Sub Total	97	(46)	97	0
	Administration Expenses				
438	IT Systems licenses costs and Hardware	572	360	568	4
256	Overheads	475	139	475	-
267	Admin operational support services	279	78	279	-
13	Improvement projects	100	3	100	-
235	Consultancy	45	26	81	(36)
7	Communications	47	1	48	(1)
13	Training	20	12	27	(7)
87	Subscriptions	75	26	78	(3)
48	Other Expenses	60	2	60	-
1,364	Sub Total	1,673	647	1,716	(43)
	Income				
(15)	Other Income	(19)	(4)	(19)	-
(15)	Sub Total	(19)	(4)	(19)	0
3,568	Total	4,463	1,645	4,309	154

2.2 The outturn projection for Investment advice is reflecting an anticipated overspend due to the engagement and divestment work, coming in at £5,000 higher than anticipated. There is also a £11,000 increase being applied to take into account the activity that is resulting from the changes to strategic asset allocation which were not considered when the budget was being set.

2.3 The outturn for the consultancy and service providers costs line these are not investment related. The budget was set at £45,000 for these costs based on the information available at budget setting. The forecast outturn has increased by £36,000 to £81,000 there has been several projects that have seen additional costs arising from the information available now these include:

- the GMP reconciliation project where the Fund had to use Heywoods for data extraction in order to meet Mercer's requirement which cost us an additional £15,000.
- there have been other issues identified during the work so far on the GMP Reconciliation although it is still unclear as to the final cost an additional £5,000 has been added for prudence.
- In addition, the decision has been taken to allocate an extra £10,000 covering all projects for work that the Fund will require the software provider Heywoods to perform, these have not been allocated yet but is expected to cover one-off projects or aspects linked to an on-going projects, such as GMP and McCloud.
- ITM address tracing is now in the next stage of the project status 2 and we now are able to quantify these costs and are expecting to come in at an additional £6,000 to complete this project.

3. Conclusion and reasons for recommendation

3.1 The Committee is recommended to note the first quarter projected 2023/24 outturn position.

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