

Report to: Pension Committee

Date of meeting: 22 February 2024

By: Chief Finance Officer

Title: Business plan, 2024/25 Budget and Quarterly budget report

Purpose: This report provides an update on the 2023/24 Forecast Financial Outturn and sets out the business plan and budget for 2024/25

RECOMMENDATION

The Committee is recommended to:

1. note the 2023/24 Q3 forecast financial outturn position; and
 2. approve the Business Plan and Budget for 2024/25 in Appendix 1
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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 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. Supporting information

2023/24 Q3 Forecast Outturn as at 31 December 2023

2.1 The budget requirements for 2023/24 were set at **£4.463m** (£4.269m 2022/23 excluding manger fees) to support the Business Plan activities and administration of the Fund.

2.2 The forecast outturn at the third quarter of 2023/24 is **£4.379m**, this is a slight increase from the last projected position however reflects an underspend to the approved budget of £0.084m. The 2023/24 outturn against budget line items is shown in the table below.

2.3 The change in projected costs mostly relates to a clarification around staffing costs provided by East Sussex County Council along with an increase expected on external audit and operational support services costs. This is being offset slightly by savings on the Fund's administration IT systems costs where savings have been negotiated by paying costs for licenses upfront along with lower than budgeted indexation charges; lower projected legal advisory costs and lower governance related consultancy costs. Detail on these have been set out in paragraph 2.4 to 2.7.

2023/24 Outturn Report

2022/23 Outturn £000	Item	2023/24 Budget £000	2023/24 Actual Outturn Q3 £000	Previous Outturn £'000	Current Forecast Outturn £'000	Variance to previous Forecast £000
	Pension Fund Staff Costs					
1,482	Fund Officers	2,023	1,351	1,834	1,968	(134)
1,482	Sub Total	2,023	1,351	1,834	1,968	(134)
	Oversight and Governance Expenses					
318	Investment Advice	392	291	408	394	14
125	Actuarial Fund Work	87	14	59	51	8
69	Actuarial Employer Work	81	72	79	87	(8)
(76)	Employer reimbursement	(81)	(19)	(79)	(87)	8
56	Legal Fees	69	27	74	46	28
48	Governance consultancy costs	70	29	68	48	20
96	Audit	71	(49)	71	123	(52)
636	Sub Total	689	365	680	662	18
	Investment Expenses					
101	Custodian	97	(46)	97	98	(1)
101	Sub Total	97	(46)	97	98	(1)
	Administration Expenses					
438	IT Systems licenses costs and Hardware	572	372	568	492	76
256	Overheads	475	310	475	448	27
267	Admin operational support services	279	147	279	309	(30)
13	Improvement projects	100	45	100	99	1
235	Consultancy	45	35	81	80	1
7	Communications	47	7	48	68	(20)
13	Training	20	15	27	28	(1)

2022/23 Outturn £000	Item	2023/24 Budget £000	2023/24 Actual Outturn Q3 £000	Previous Outturn £'000	Current Forecast Outturn £'000	Variance to previous Forecast £000
87	Subscriptions	75	62	78	85	(7)
48	Other Expenses	60	2	60	60	-
1,364	Sub Total	1,673	995	1,716	1,670	47
	Income					
(15)	Other Income	(19)	(11)	(19)	(19)	-
(15)	Sub Total	(19)	(11)	(19)	(19)	-
3,568	Total	4,463	2,653	4,309	4,379	(70)

2.4 The Fund has been working with East Sussex County Council to get better forecasts around the staffing costs expected. There have been several clarifications around vacancies taken into account in this forecast which were not included in the last forecast. In addition to this there was no allowance included for a pay award in the previous forecast model, which have now been agreed and paid out. This has resulted in an increase to the last reported position, but remains below budget.

2.5 The outturn for the System Services and Licences has also decreased against the last quarter forecast. The drivers behind this are that the Fund budgeted an allowance for indexation costs. However, these inflationary costs have not materialised this year and the forecast has been reduced to reflect actual costs being incurred for service. Also negotiation on the licences on one of the systems has resulted in a lower than projected costs. Together this has resulted in a £76,000 reduction in costs.

2.6 The outturn for the Admin Operational Support Services has increased against the previous outturn by £30,000, this is due to an increase in the volumes of calls received by the Helpdesk provided by Surrey County Council. These costs are based on the volumes of calls received. We are in the process of bringing the Helpdesk in house and so should have a better understanding of costs going forward.

2.7 The external audit forecast for the rest of the year includes the audit fee of 2023/24 which was agreed by the PSAA which is now set at £90,337. This increase is being introduced to ensure it reflects current audit requirements and to set fees on a consistent and equitable basis at the start of the new contract period. This means that the scale fee for each opted-in body better reflects the audit work required under the current Code of Audit Practice published by the National Audit Office and the regulatory expectations of the Financial Reporting Council. Updating the fee scale in this way will have the benefit of making expected fees clearer for opted-in bodies much earlier in the audit cycle and reducing the volume of fee variations. This along with finalised cost for the 2021/22 audit have resulted in a £52,000 increase on the previously reported position.

3. 2024/25 Business Plan and Budget

3.1 The Business Plan and Budget is set out in **Appendix 1**.

3.2 Total budget proposed is **£4.561m** (£4.463m 2023/24) to support the Business Plan activities and administration of the Fund.

3.3 The budget for 2024/25 is an increase of £0.098m on the 2023/24 budget. There has been a full review of the costs for 2024/25 and the budget for individual lines have changed. The overall result was a budget which was slightly above the previous years. The main movement has been from admin operational support as the Helpdesk budget has been removed from here and added to Staff Costs a movement of £0.190m. This is to reflect that the Helpdesk will be provided in house next year however the exact cost of the staff for this is unclear so the budget has been left at the same level but moved to a more appropriate heading. A further reduction of this line has been the removal of most CHF Docmail costs

which are now coming through the recharge from East Sussex from the digital postal hub and reflected in the overheads line on the budget.

3.4 Staff costs have increased by £0.223m. This includes an estimate for a 3% pay award, in line with the ESCC budget methodology.

3.5 There is a reduction expected on IT Systems with one off payments incurred in 2023/24 for new system functionality removed, along with specific inflation related allowance £0.043m.

3.6 The other areas that have seen the larger increases in budget are external and internal audit which has been set based on the revised PSAA costs of 2023/24 and chargeable rate this is resulting in an increase to the previous year of £0.044m. Along with an increase to the investment advice line to allow for future support on climate modelling and prudence has been added due to the consultancy service being re-procured in the year and the unknown future supplier fee model.

4. Conclusion and reasons for recommendation

4.1 The Committee is recommended to note the Q3 2023/24 forecast position and approve the Business Plan and Budget for 2024/25 as set out in Appendix 1 of the report.

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