

Report to: Pension Committee

Date of meeting: 21 November 2024

By: Chief Finance Officer

Title: Quarterly Budget Report

Purpose: This report provides the Quarter 2 forecasted financial outturn of the ESPF for the 2024/25 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 the administering authority in respect of the Fund.

1.2 At its meeting on the 8 February 2024 the Pension Committee agreed a budget of £4.561m to support the business plan for 2024/25. 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, strategic asset allocation changes and ownership of mandates at pool level.

2. 2024/25 Quarter 2 Forecast Outturn Position

2.1 The budget requirements for 2024/25 were set at **£4.561m** (£4.463m 2023/24 excluding manager fees) to support the Business Plan activities and administration of the Fund. The forecast outturn at the second quarter of 2024/25 is **£4.400m**, a decrease of **£0.161m** from the approved budget. This decrease is mainly due to some provisions that were budgeted for but are not now needed. In paragraph 2.2 to 2.5 more detail has been provided around the items that have resulted in this reduction.

2.2 Regarding Investment Consultant costs, a procurement process is currently taking place with a new contract due to start in February 2025, a contingency of £50,000 was added to the budget as cost for this new contract are unknown. Due to restricted investment activity taking place after the strategy day and awaiting the outcome of the procurement, it has been assessed that it is unlikely for this to be needed and a general reduction due to reduced activity has resulted in a £68,000 reduction. There was also a piece of work around scenario analysis which was initially budgeted for at £25,000 but this will not take place this year bringing the forecast down by a total of £93,000.

2.3 There is a reduction to our estimated legal costs due the progress of the private credit mandates within ACCESS, this was put in as a contingency in case we needed to go

outside of the ACCESS pool to procure private credit managers along with a reduction in other activity. This has resulted in a saving of £28,000.

2.4 When the budget was set there were a few items from the East Sussex County Council recharge that were included within the overheads line that should have been included in other areas of the budget. The Fund are now able to identify these costs more clearly and to record them against the appropriate expenditure line. £57,000 has been moved to administrative operational support services and £35,000 to improvement projects. After offsetting these line variances there is a £65,000 reduction to expected overhead costs. This due to the budget being set at a 15.7% overhead recharge rate, compared to the actual overhead recharge rate being 14.4%. Overheads are calculated based on a percentage of the Fund's staffing costs.

2.5 There is an increase in the consultancy line for a one off cost of £25,000 that relates to the ongoing work around the GMP project that was not known at budget setting. It is not anticipated that there will be any additional charges for this work.

2.6 The 2024/25 outturn against budget line items is shown in the table below.

2024/25 Outturn Report

Outrun 2023/24	Item	2024/25 Budget £'000	2024/25 Actual YTD £000	2024/25 Forecast Outturn Q2 £000	2024/25 Variance £'000
1,958	Fund Staff Costs				
	Fund Officers	2,436	524	2,464	(28)
1,958	Sub Total	2,436	524	2,464	(28)
	Oversight and Governance Expenses				
365	Investment Advice	448	211	355	93
39	Actuarial Fund Work	51	12	43	8
118	Actuarial Employer Work	89	41	92	(3)
(119)	Employer reimbursement	(89)	(23)	(92)	3
38	Legal Fees	57	5	29	28
42	Governance consultancy costs	60	10	50	10
115	Audit	120	(96)	126	(6)
598	Sub Total	736	160	603	133
	Investment Expenses				
107	Custodian	100	(24)	101	(1)
107	Sub Total	100	(24)	101	(1)
	Administration Expenses				
489	IT Systems licenses costs and Hardware	487	361	487	-
315	Overheads	531	79	374	157
246	Admin operational support services	18	28	75	(57)
106	Improvement projects	87	35	122	(35)
61	Consultancy	20	14	45	(25)
60	Communications	37	-	37	-
26	Training	33	6	21	12
84	Subscriptions	80	23	75	5
53	Other Expenses	11	3	11	-
1,440	Sub Total	1,304	549	1,247	57
	Income				
(21)	Other Income	(15)	(13)	(15)	-
(21)	Sub Total	(15)	(13)	(15)	-
4,082	Total	4,561	1,196	4,400	161

3. Conclusion and reasons for recommendation

3.1 The Pension Committee is recommended to note the second quarter projected 2024/25 outturn position.

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