

**Report to:** Pension Committee

**Date of meeting:** 27 February 2025

**By:** Chief Finance Officer

**Title:** Business plan, 2025/26 Budget and Quarterly budget report

**Purpose:** This report provides an update on the 2024/25 forecast financial outturn and sets out the business plan and budget for 2025/26

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## **RECOMMENDATION**

The Pension Committee is recommended to note:

- 1) the 2024/25 Q3 forecast financial outturn position; and
  - 2) the Business Plan and Budget for 2025/26 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 be able 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 of 22 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 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.

### **2. Supporting information**

#### **2024/25 Q3 Forecast Outturn as at 31 December 2024**

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 third quarter of 2024/25 is £4.314m (£4.400m last quarter), this is a slight decrease from the last projected position of £0.085m and reflects an underspend to the approved budget of £0.247m.

2.2 This decrease is mainly due to staffing costs as there were some new vacancies over the quarter and the pay award was lower than budgeted for which has also decreased the overhead charge as this is based on staff numbers. In paragraph 2.3 to 2.5 more detail has been provided around the items that have resulted in this reduction.

## 2024/25 Outturn Report

2023/24 Outturn £000	Item	2024/25 Budget £000	2024/25 Actual Outturn Q3 £000	Previous Forecast Outturn £'000	Current Forecast Outturn £'000	Variance to previous Forecast £000
	<b>Pension Fund Staff Costs</b>					
1,958	Fund Officers	2,436	1,138	2,464	2,318	(146)
<b>1,958</b>	<b>Sub Total</b>	<b>2,436</b>	<b>1,138</b>	<b>2,464</b>	<b>2,318</b>	<b>(146)</b>
	<b>Oversight and Governance Expenses</b>					
365	Investment Advice	448	236	355	357	2
39	Actuarial Fund Work	51	32	43	53	10
118	Actuarial Employer Work	89	52	92	90	(2)
(119)	Employer reimbursement	(89)	(38)	(92)	(90)	2
38	Legal Fees	57	14	29	28	(1)
42	Governance consultancy costs	60	21	50	50	-
115	Audit	120	(25)	126	126	-
<b>598</b>	<b>Sub Total</b>	<b>736</b>	<b>292</b>	<b>603</b>	<b>614</b>	<b>11</b>
	<b>Investment Expenses</b>					
107	Custodian	100	26	101	101	-
<b>107</b>	<b>Sub Total</b>	<b>100</b>	<b>26</b>	<b>101</b>	<b>101</b>	<b>-</b>
	<b>Administration Expenses</b>					
489	IT Systems licenses costs and Hardware	487	386	487	529	42
315	Overheads	531	126	374	353	(21)
246	Admin operational support services	18	66	75	66	(10)
106	Improvement projects	87	39	122	165	43
61	Consultancy	20	24	45	40	(5)
60	Communications	37	7	37	33	(4)
26	Training	33	8	21	20	(1)

2023/24 Outturn £000	Item	2024/25 Budget £000	2024/25 Actual Outturn Q3 £000	Previous Forecast Outturn £'000	Current Forecast Outturn £'000	Variance to previous Forecast £000
84	Subscriptions	80	51	75	79	4
53	Other Expenses	11	5	11	11	-
<b>1,440</b>	<b>Sub Total</b>	<b>1,304</b>	<b>710</b>	<b>1,247</b>	<b>1,296</b>	<b>49</b>
	<b>Income</b>					
(21)	Other Income	(15)	(48)	(15)	(15)	-
<b>(21)</b>	<b>Sub Total</b>	<b>(15)</b>	<b>(48)</b>	<b>(15)</b>	<b>(15)</b>	<b>-</b>
<b>4,082</b>	<b>Total</b>	<b>4,561</b>	<b>2,118</b>	<b>4,400</b>	<b>4,314</b>	<b>(85)</b>

2.3 The Fund has been working with East Sussex County Council (ESCC) to get better forecasts around the staffing costs. The implementation of Oracle systems within ESCC is enabling improvements in the forecasting of staff costs. The Fund is still carrying some vacancies and there was a provision for a 3% pay increase, when 2.5% was awarded. This is resulting in an underspend of £146,000 on staffing and an associated underspend of £21,000 to the East Sussex County Council overhead charge.

2.4 The outturn for the System Services and Licenses has also increased against the last quarter forecast. The drivers behind this are a reclassification of costs that were combined in the ESCC overheads that related to the purchase of IT systems and this has resulted in a £42,000 increase in costs.

2.5 The outturn for the improvement projects has increased against the previous outturn by £43,000, this is due to cost for a robotics project for the help desk being confirmed by ESCC.

### **3. 2025/26 Business Plan and Budget**

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

3.2 Total 2025/26 budget proposed is £4.645m (£4.561m 2024/25) to support the Business Plan activities and administration of the Fund.

3.3 This represents an increase of £0.084m on the 2024/25 budget. There has been a full review of the costs for 2025/26 and the budget for individual lines have changed. The overall result was a budget which was slightly above the previous years.

3.4 The main movement has been the reprofiling of costs charged by ESCC which took place in the second quarter of 2024/25 between overheads, IT, systems licences costs and admin operational support. This provides a more accurate picture of the costs the Fund is incurring.

3.5 Staff costs have increased by £0.024m. This includes an estimate for a 2.5% pay award, in line with the ESCC budget methodology.

3.6 There is a reduction expected on investment advice of £0.062m due to the outcome of the procurement process being completed and certainty of costs is better known.

3.7 As this is a valuation year considerable work is expected from the Actuary during the year to conclude this activity and based on previous valuation years we are anticipating an additional £0.054m of spend this year.

3.8 There is also an anticipation that there will be a lot of work and costs associated with the outcome of the Government's "Fit for the Future" consultation. As the outcome is uncertain at the moment no explicit provision for this has been made in the budget but we have allowed for a potential increase in legal costs that could be associated with documentation reviews.

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

4.1 The Committee is recommended to note the Q3 2024/25 forecast position and the Business Plan and Budget for 2025/26.

**IAN GUTSELL**  
**Chief Finance Officer**

Contact Officer:  
Email:

Russell Wood, Pensions Manager: Investments and Accounting  
[Russell.Wood@eastsussex.gov.uk](mailto:Russell.Wood@eastsussex.gov.uk)