

Report to: Pension Committee

Date of meeting: 26 February 2026

By: Chief Finance Officer

Title: East Sussex Pension Fund Quarterly Budget Report

Purpose: This report provides the Quarter 3 forecast financial outturn of the East Sussex Pension Fund for the 2025/26 financial year and sets out the business plan and budget for 2026/27

RECOMMENDATIONS:

The Pension Committee is recommended to:

- 1) note the third quarter projected 2025/26 outturn position; and
 - 2) approve the Business Plan and Budget for 2026/27 as set out at Appendix 1 of this report.
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1. Background

1.1 The East Sussex Pension Fund's (the Fund) business plan and budget set 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 27 February 2025 the Pension Committee agreed a budget of £4.645m to support the business plan for 2025/26. 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. Further to this the budget did not include a provision for the implications of the 'Fit for the Future' consultation the costs associated with this were reported through the Pension Reform reports.

2. 2025/26 Quarter 3 Forecast Outturn Position at 31 December 2025

2.1 The budget requirements for 2025/26 were set at £4.645m (£4.561m 2024/25 excluding manager fees) to support the Business Plan activities and administration of the Fund. The forecast outturn at the third quarter of 2025/26 is £5.035m, an increase of £0.280m from the last projected position and reflects an overspend to the approved budget of £0.390m.

2.2 This increase is mainly due to an increased required on the investment advice line to reflect information recently received relating to costs incurred by Border to Coast Pensions Partnership Pool associated with the onboarding the new partner funds, that the Fund will share a portion of. There has also been an increase in actuarial costs associated with the valuation. Paragraphs 2.3 to 2.5 provide more detail the items that have resulted in this projected overspend. The 2025/26 outturn against budget line items is shown in the table below.

2025/26 Outturn Report

2024/25 Outturn £000	Item	2025/26 Budget £000	2025/26 Actual Outturn Q3 £000	Previous Outturn £'000	Current Forecast Outturn £'000	Variance to previous Forecast £000
	Pension Fund Staff Costs					
2,334	Fund Officers	2,460	1,168	2,331	2,331	-
2,334	Sub Total	2,460	1,168	2,331	2,331	(0)
	Oversight and Governance Expenses					
384	Investment Advice	386	452	483	667	184
71	Actuarial Fund Work	105	117	155	275	120
92	Actuarial Employer Work	92	62	100	97	(3)
(92)	Employer reimbursement	(92)	(22)	(108)	(105)	3
24	Legal Fees	49	22	55	53	(2)
42	Governance consultancy costs	60	21	60	61	1
144	Audit	142	22	134	135	1
665	Sub Total	742	674	879	1,183	304
	Investment Expenses					
102	Custodian	106	31	111	111	-
102	Sub Total	106	31	111	111	(0)
	Administration Expenses					
524	IT Systems licenses costs and Hardware	613	412	613	613	-
344	Overheads	348	185	360	372	12
91	Admin operational support services	65	(11)	91	98	7
92	Improvement projects	105	64	105	105	-
30	Consultancy	34	33	84	84	-
7	Communications	36	7	36	8	(28)
13	Training	46	11	55	34	(21)
83	Subscriptions	77	63	76	79	3
12	Other Expenses	18	12	19	22	3
1,196	Sub Total	1,342	776	1,439	1,415	(24)
	Income					
(21)	Other Income	(5)	(3)	(5)	(5)	-
(21)	Sub Total	(5)	(3)	(5)	(5)	-
4,276	Total	4,645	2,646	4,755	5,035	280

2.3 Since the last meeting of the Pension Committee, information has been provided by Border to Coast Pensions Partnership on the cost that the Fund will need to contribute to cover the costs of their project to onboard the 7 new partner Funds. This forecast spend combined with the costs associated with the work that Barnett Waddingham undertook as part of the due diligence on Border to Coast Pensions Partnership leads to an overspend of £184,000 from the previous reporting period.

2.4 The Actuarial Fund Work has been revised due to the experience of charges over the past 9 months. This has seen the main charges for the valuation coming in around £50,000 higher than budgeted and is primarily due to non-core valuation work that has been commissioned this year which was not commissioned in previous valuation years. This work includes assessing the changes to the ill health insurance to a self-insurance model and another specific piece of work that was commissioned for an assessment of employer risk which was an additional £21,000 which was not budgeted for. A prudent estimation has also been made in relation to the monthly business as usual work which has been higher than anticipated for the first 9 months of the year averaging around £4,000 a month higher than the prior year. The forecast has been set assuming that this level continues for the remainder of the year so an additional £48,000 for this year.

2.5 These have been offset with some modest savings on communications and training as the scope of activities to be undertaken this year in these areas have been reduced saving £28,000 and £21,000 respectively.

3. 2026/27 Business Plan and Budget

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

3.2 Total 2026/27 budget proposed is £5,503m (£4,645m 2025/26) to support the Business Plan activities and administration of the Fund.

3.3 This represents an increase of £0.858m on the 2025/26 budget. There has been increased information around costs associated with implementing the changes following the 'Fit for the Future' consultation with an overall result that the budget is significantly higher than previous years.

3.4 The main movement has been the inclusion of projected costs recently received from Border to Coast Pensions Partnership which the Fund will be required to pay for the governance arrangements of the pool once the Fund is admitted as a shareholder to the new pool. This cost represents a significant contribution to the £1,019,000 budgeted on the investment advice line. This does not include any charge may be incurred from transitioning assets into Border to Coast Pensions Partnership investments or any ongoing management charge associated with these investments. Nor does it include the regulatory capital payment that will be required to be paid to Border to Coast Pensions Partnership as a shareholder.

3.5 Staff costs have increased by £42,000. This includes an estimate for a 2.5% pay award, in line with the East Sussex County Council (ESCC) budget methodology. Along with this, the Fund is charged an overhead rate by ESCC for ancillary services such as Accounts Payable, Accounts Receivable, Treasury management, IT helpdesk and infrastructure, office space and other associated property costs. This has increased as a prudent assessment of these charges has been undertaken as some costs are now being charged on a bespoke calculation basis. The bespoke costs have been included but have not been adjusted the overhead rate as it is not clear what this would be next so the current rate charged by ESCC has been used resulting in a £59,000 increase on overheads.

3.6 There is an increase on the actuarial fund work line to reflect the current level of work being undertaken by the Actuary for the Fund. This is in anticipation of additional work associated with Local Government Reorganisation to take place along with a contingency as the actuarial contract will be reprocedured this year so £58,000 increase has been included.

3.7 There is a new contract in place with Heywood and the expectation is that this will reduce the fee payable to them in 2025/26 as several services that were additions to the previous main contract have been included within the scope for the current contract. This has resulted in estimated savings of £17,000 in 2026/27.

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 for this but there is an allowance 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 third quarter projected 2025/26 outturn position and approve the Business Plan and Budget for 2026/27.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Russell Wood, Pensions Manager: Investments and Accounting
Email: Russell.wood@eastsussex.gov.uk