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## **PENSION FUND BUDGET MONITORING TO 30 SEPTEMBER 2020**

**Report by Executive Director Finance & Regulatory**

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### **JOINT PENSION FUND COMMITTEE AND PENSION FUND BOARD**

**04 March 2021**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 The purpose of this report is to provide the Pension Fund Committee and Pension Fund Board with an update position of the Pension Fund budget to 31 December 2020, projections to 31 March 2021 and proposed budget for 2021/22.**
- 1.2 The Local Government Pension Scheme (Scotland) Regulation 2014 requires Administering Authorities to ensure strong governance arrangements and sets out the standards they are to be measured against.
- 1.3 To ensure the Fund meets the standards a budget was approved on 10 March 2020 following the recommendations within the CIPFA accounting guidelines headings. This report is the third quarterly monitoring report of the approved budgets.
- 1.4 The total expenditure to 31 December 2020 is £0.694m with a projected total expenditure of £6.906m against a budget of £6.906m.
- 1.5 The estimated budget for 2021/22 is estimated at £7.079m based on key assumptions detail in paras 4.4 to 4.6.

#### **2 RECOMMENDATIONS**

##### **2.1 It is recommended that the Pension Fund Committee:-**

- (a) Notes the actual expenditure to 31 December 2020; and**
- (b) Agrees the 2021/22 budget of £7.079m.**

### 3 BACKGROUND

- 3.1 The Local Government Pension Scheme (Scotland) Regulation 2014 requires Administering Authorities to ensure strong governance arrangements and sets out the standards they are to be measured against. The Fund is required to report on an annual basis within its Annual Report if it has met these standards. To demonstrate full compliance requires the setting and monitoring of a budget for the Fund.
- 3.2 A budget was approved at the Joint Pension Fund Committee and Pension Fund Board meeting on 10 March 2020 for 2020/21. The approved budget follows the Local Government Pension Scheme management costs guidance issued by CIPFA into the following 3 categories.

Category	Costs included
Investment Management	All expenses incurred in relation to management of pension fund assets. Including costs invoiced direct and fees deducted from fund assets. Custody and performance fees also included
Administration	Costs incurred in administration of the fund including staff, IT costs and associated overheads, benefits consultants.
Oversight and governance	Costs incurred in the selection & appointment of managers, audit fees, investment advisory services, tax advisory, accounting services, banking service and support to the pensions committee and board.

### 4 MONITORING TO 31 DECEMBER 2020

- 4.1 The table below shows the expenditure to 31 December 2020, projected out-turn to 31 March 2021 and current approved budget for 2020/21. The table also shows the proposed budget for 2021/22.

	Expenditure to 31 Dec 20 £000's	Projected to 31 March 21 £000's	2020/21 Budget £000's	2020/21 Variance £000's	2021/22 Budget £000's
Investment Management	332	6,198	6,198		6,420
Administration	237	408	408		378
Oversight & Governance	125	300	300		210
<b>Total</b>	<b>694</b>	<b>6,906</b>	<b>6,906</b>		<b>7,079</b>

- 4.2 Investment Management fees, which are billed direct, are charged on a quarterly basis in arrears based on the value of assets held on a quarterly basis. The only fees incurred this way are Baillie Gifford and UBS. The third quarters investment management fees are not therefore included in the expenditure to 31 December 2020 totals.
- 4.3 Work continues to progress with Managers requesting quarterly returns based on the Cost Transparency Initiative (CTI). Managers are working towards providing the information in the requested format but a number of issues have occurred which mean the information is currently not robust enough to be used for quarterly monitoring purposes. Officers continue to work with Managers to improve this for future monitoring and for the year end accounts.
- 4.4 Based on the current Fund Managers and the continued implementation of the current strategic asset allocation the fees are estimated at £6,420k for 2021/22. This estimate includes an assumption of asset growth of 8%.
- 4.5 The Administration budget for 2021/22 is estimated to be £378k and includes an allowance of £25k to cover the additional IT and staffing impact occurring from recent class actions such as McCloud. The budget is overall less than 2020/21 due to one off IT costs included in 2020/21 budget for implementation of member self-service and the work on admission agreements.
- 4.6 The Oversight and Governance budget for 2021/22 is estimated at £281k, reduction from 2020/21 which included full triennial valuation costs. Estimate is based on the current Investment Consultant and may change subject to the outcome of the procurement.

## **5 IMPLICATIONS**

### **5.1 Financial**

There are no costs attached to any of the recommendations contained in this report.

### **5.2 Risk and Mitigations**

This report is part of the governance framework to manager the operation of the Pension Fund and reflects the compliance with the best practice recommendations. Risks are managed in line with the Corporate Risk Management framework, with risks and controls monitored and reported on a quarterly basis.

### **5.3 Integrated Impact Assessment**

There is no impact or relevance to Equality Duty or the Fairer Scotland Duty for this report. This is a routine good governance required und the Local Government Pension Scheme (Governance) (Scotland) Regulations 2014. Nevertheless, a light touch assessment has been conducted and this will be published on SBC's Equality and Diversity Pages of the website as in doing

so, signifies that equality, diversity and socio –economic factors have duly been considered when preparing this report.

#### 5.4 **Acting Sustainably**

There are no direct economic, social or environmental issues with this report which would affect the Council’s sustainability policy.

#### 5.5 **Carbon Management**

There are no direct carbon emissions impacts as a result of this report.

#### 5.6 **Rural Proofing**

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

#### 5.7 **Changes to Scheme of Administration or Scheme of Delegation**

There are not changes to the Scheme of Administration or the Scheme of Delegation required as a result of this report.

### 6 **CONSULTATION**

- 6.1 The Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR & Communications, the Clerk to the Council and Corporate Communications have been consulted and any comments received have been incorporated into the final report.

#### **Approved by**

**David Robertson**

**Signature .....**

**Executive Director Finance & Regulatory**

#### **Author(s)**

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**Background Papers: Previous Minute Reference:** Joint Pension Fund Committee and Pension Fund Board 11 December 2020

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. The Pension & Investment Team can also give information on other language translations as well as providing additional copies.

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