
PENSION FUND BUDGET MONITORING TO 30 JUNE 2021

Report by Director Finance & Corporate Governance

JOINT PENSION FUND COMMITTEE AND PENSION FUND BOARD

16 September 2021

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 30 June 2021 including projections to 31 March 2022.**
- 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 4 March 2021 following the recommendations within the CIPFA accounting guidelines headings. This report is the second quarterly monitoring report of the approved budgets.
- 1.4 The total expenditure to 30 June 2021 is £0.131m with a projected total expenditure of £7.129m against a budget of £7.008m. This projects a budget variance of £121k which represents an error in the original budget setting, work in connection with "strain on Fund" factors, investment manager procurements and ESG workshop and policy review.

2 RECOMMENDATIONS

2.1 It is recommended that the Pension Fund Committee:-

- (a) Notes the actual expenditure to 30 June 2021; and**
- (b) Agrees the projected out-turn as the revised budget.**

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 4 March 2021 for 2021/22. 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 30 JUNE 2021

- 4.1 The table below shows the expenditure to 30 June 2021, projected out-turn to 31 March 2022 and current approved budget for 2021/22.

	Expenditure to 30 June 21 £000's	Projected to 31 March 22 £000's	2021/22 Budget £000's	2021/22 Variance £000's
Investment Management	0	6,420	6,420	
Administration	89	381	378	3
Oversight & Governance	42	328	210	118
Total	131	7,129	7,008	121

- 4.2 Investment Management fees are charged on a quarterly basis in arrears based on the value of assets held on a quarterly basis. The first quarters investment management fees are not therefore included in the expenditure to 30 June 2021 totals.

- 4.3 Work is still ongoing with managers to allow monitoring and reporting of all fees on a quarterly basis using the Cost Transparency Initiative (CTI) templates. Managers have mostly been able to provide the information on an annual basis to allow use for the year end accounts but their systems currently do not allow for quarterly reporting. Officers are working with other LGPS Funds to increase pressure on managers to resolve these issues.
- 4.4 Following the triennial valuation last year and in line with good practice, the factors used by the fund in its "strain on fund" calculation are being reviewed. Hymans Robertson have been commissioned to undertake this work. This will include the production of a user manual. The increase of £3k reflects the production of the manual.
- 4.5 The additional £118k for oversight and governance is due to a number of factors. These are listed below
- £70k due to error in formulas in the calculation of the original budget
 - £18.5k for the agreed ESG workshop and review of the Responsible Investment Policy
 - £25.5k two procurement excises required following strategic asset review
 - £4k review of the "Strain on fund" factors as described in para 4.4.

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 Sustainable Development Goals

There are no direct impacts from this report on the sustainable development goals of the Council.

5.5 Climate Change

There are no direct climate change 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 Data Protection Impact Statement

There are no personal data implications arising from the proposals contained in this report.

5.8 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 Director People Performance and Change, 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
Director Finance & Corporate Governance

Author(s)

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Background Papers: Previous Minute Reference: Joint Pension Fund Committee and Pension Fund Board 10 June 2021

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