
PENSION FUND BUDGET MONITORING TO 31 December 2022

Report by Acting Chief Financial Officer

JOINT PENSION FUND COMMITTEE AND PENSION FUND BOARD

9 March 2023

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 2022 including projections to 31 March 2023.**
- 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 17 March 2022 following the recommendations within the CIPFA accounting guidelines headings. This report is the third quarterly monitoring report of the approved budget.
- 1.4 The total expenditure to 31 December 2022 is £3.739m (please see section 4.1 for the breakdown) with a projected total expenditure of £7.4m.

2 RECOMMENDATIONS

2.1 It is recommended that the Pension Fund Committee:-

- (a) Notes the actual expenditure to 31 December 2022.**
- (b) Notes the projected outturn position to 31 March 2023.**

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 17 March 2022 for 2022/23. The approved budget follows the Local Government Pension Scheme management costs guidance issued by CIPFA into the following three 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 are also included.
Administration	Costs incurred in administration of the fund including staff, IT costs and associated overheads and 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 2022

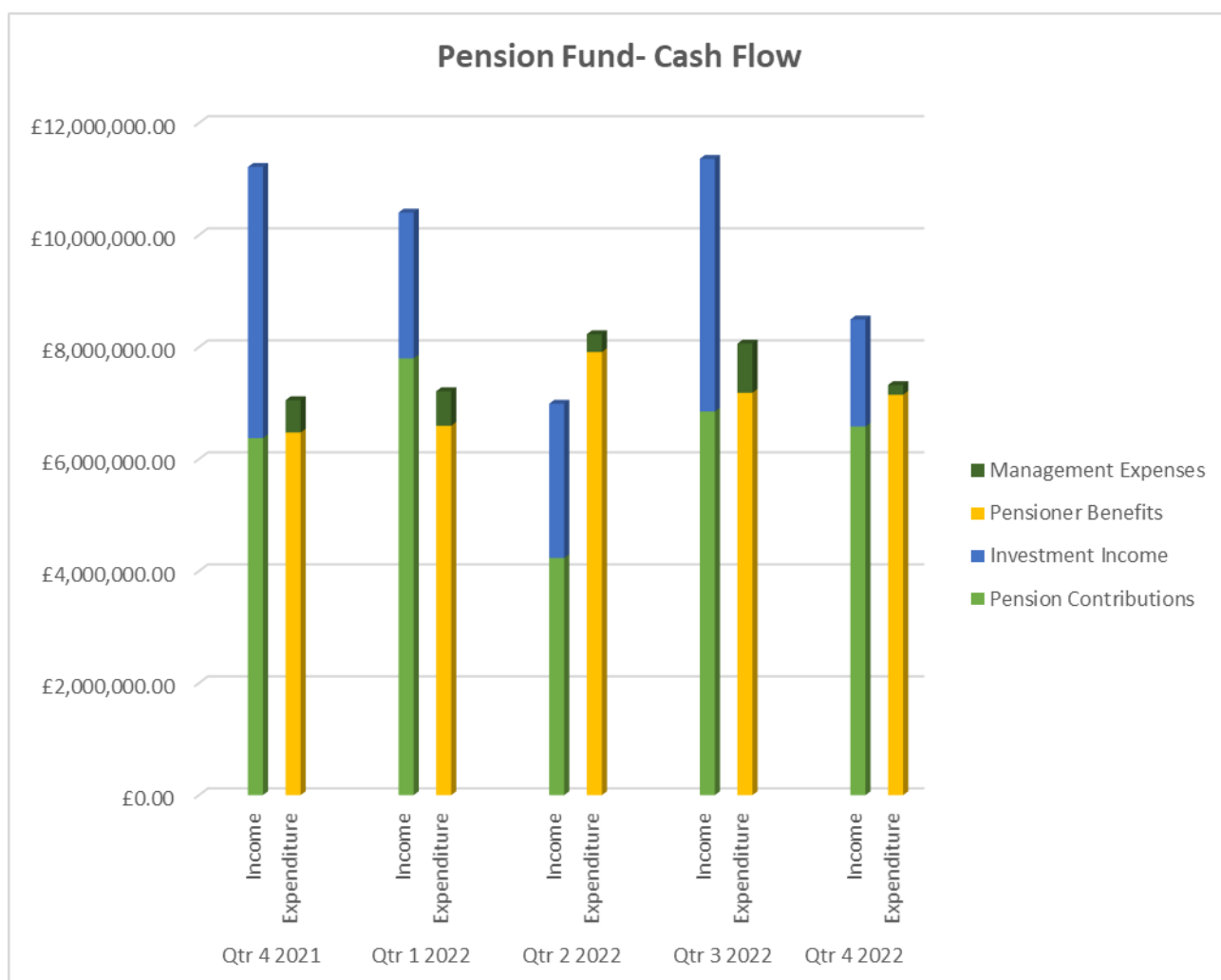
- 4.1 The table below shows the expenditure to 31 December 2022, projected outturn to 31 March 2023 and current approved budget for 2022/23.

	Expenditure to 31 December 22 £000's	Projected to 31 March 23 £000's	2022/23 Budget £000's	2022/23 Variance £000's
Investment Management	3,265 (Please see 4.2)	6,564	6,564	0
Administration	369	497	497	0
Oversight & Governance	105	339	339	0
Total	3,739	7,400	7,400	0

- 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 third quarter's investment management fees are not, therefore, included in the expenditure to 31 December 2022.

5 CASHFLOW MONITORING

- 5.1 A key objective of the Fund is to ensure the funds are in place to pay the members' benefits. The Fund has been a mature fund since 2013/14 with the number of pensioners and their dependants exceeding contributing members. This in turn has resulted in the monthly cash out goings for pension benefits and expenses being higher than the contributions collected from active members.
- 5.2 To ensure the Fund continues to meet its primary objective, the investment strategy approved by the Committee incorporates an element of income generating assets to supplement member and employer contributions. These income generating assets are expected to enable the cash flow requirements of the Fund to be fully met without the requirement to disinvest from assets.
- 5.3 The graph below reflects the cash expenditure for pension benefits, investment manager fees and operational costs of the Fund on a quarterly basis from September 2021 to December 2022. Income shown is the contributions received from employers and employee and investment income received as cash. The figures excluded any principle returned or invested.



- 5.4 The graph shows some quarters with surplus income and others with deficits. However, over the 15-month period shown, the total cash received was £56m and cash expenditure was £45.7m, resulting in a cash surplus of £10.3m over the period. This surplus has been utilised in part to fund draw down notices from the infrastructure managers.

6 IMPLICATIONS

6.1 Financial

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

6.2 Risk and Mitigations

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

6.3 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 requirement under 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.

6.4 Sustainable Development Goals

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

6.5 Climate Change

There are no direct climate change impacts as a result of this report.

6.6 Rural Proofing

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

6.7 Data Protection Impact Statement

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

6.8 Changes to Scheme of Administration or Scheme of Delegation

There are no changes to the Scheme of Administration, or the Scheme of Delegation required as a result of this report.

7 CONSULTATION

- 7.1 The Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Director People, Performance & 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

Suzy Douglas
Acting Chief Financial Officer

Signature

Author(s)

Name	Designation and Contact Number
Suzy Douglas	Acting Chief Financial Officer 01835 82600 extension 5881

Background Papers: Previous Minute Reference: Joint Pension Fund Committee and Pension Fund Board 13 December 2022

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Contact us at Contact us at: Pension & Investment Team, Council Headquarters, Newtown St Boswells, Melrose, TD6 OSA Tel: 01835 825249 Fax 01835 825166.
email: treasuryteam@scotborders.gov.uk