
PENSION FUND BUDGET OUT-TURN TO 31 MARCH 2023

Report by Acting Chief Financial Officer

JOINT PENSION FUND COMMITTEE AND PENSION FUND BOARD

22 June 2023

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to provide the Pension Fund Committee and Pension Fund Board with a final out-turn position of the Pension Fund for 2022/23 and agree the budget for 2023/24.**
- 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 final quarterly monitoring report of the approved budgets. Budgets for 2023/24 are included within this report for approval.
- 1.4 The total expenditure to 31 March 2023 is £6.47m against a budget of £7.40m. This resulted in a budget underspend of £930k. The main element of underspend is within Investment Management fees due to the lower than estimated market valuations which form the basis of the fee charges.
- 1.5 A key objective of the Fund is to pay pension benefits as they become due. Due to the maturing nature of the Fund and this requirement the Fund has included within its investment strategy, the requirement for income generating assets. The graph in para 5.3 shows the Fund has been able to fully meet its cashflow requirements.

2 RECOMMENDATIONS

2.1 It is recommended that the Pension Fund Committee:-

- (a) Notes the actual expenditure to 31 March 2023**
- (b) Notes the cash flow position; and**
- (c) Agrees the proposed budget for 2023/24**

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 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 Pension Fund Committee and Board.

4 MONITORING TO 31 MARCH 2023

- 4.1 The table below shows the expenditure to 31 March 2023, against the approved budget and details the proposed budget for 2023/24.

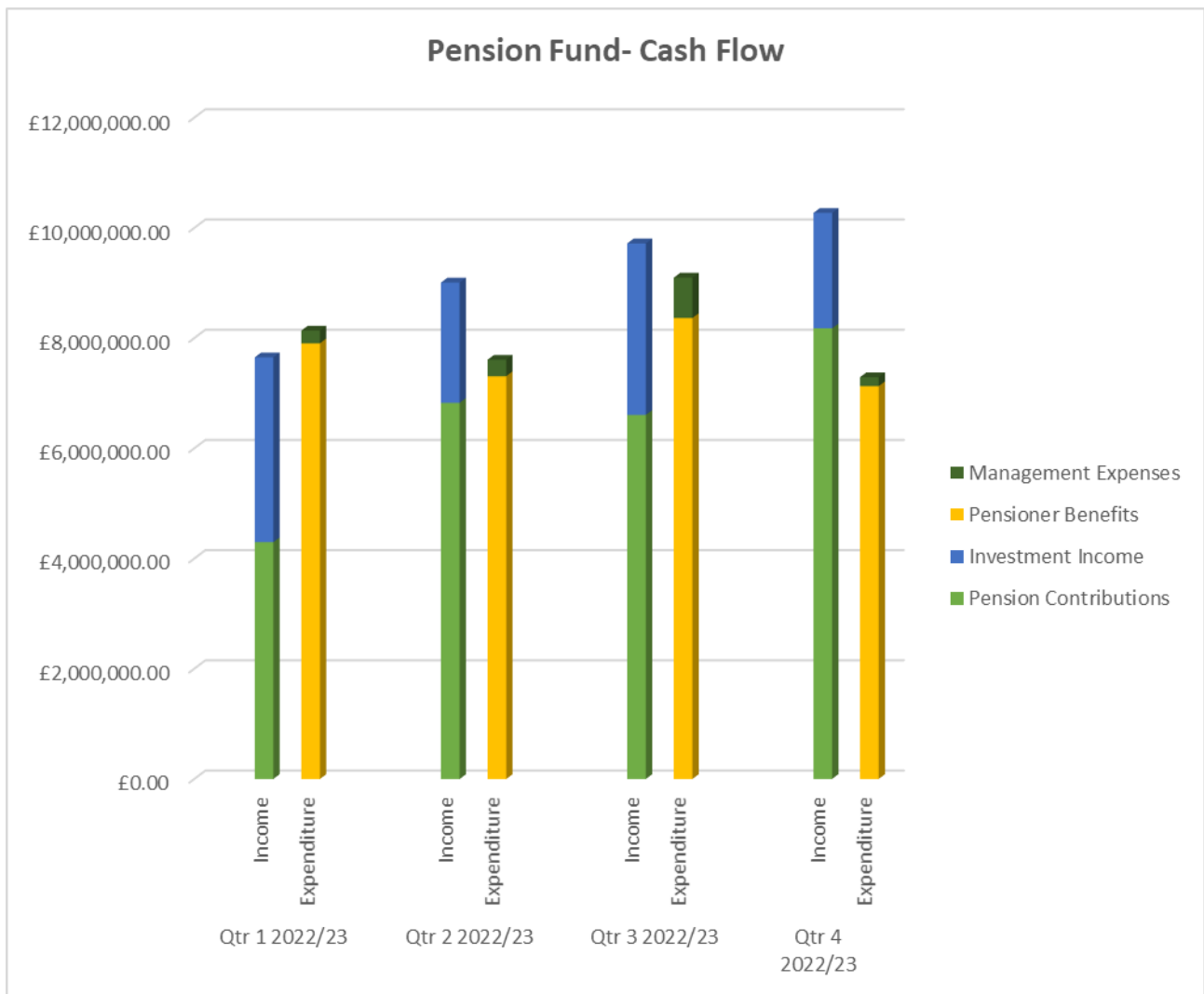
	Expenditure 31 March 23 £000's	2022/23 Budget £000's	2022/23 Variance £000's	2023/24 Budget
Investment Management	5,682 (Please see 4.2)	6,564	(882)	6,008
Administration	450	497	(47)	474
Oversight & Governance	338	339	(1)	458
Total	6,470	7,400	(930)	6,940

- 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 underspend of £0.882m is a result of the fluctuating nature of the markets during the year which resulted in valuations less than those estimated when setting the budget.

- 4.3 Included within the Oversight & Governance outturn above are costs of £20,300 in relation to additional ISIO support costs to assist with management of the Pension Fund during 2022/23 with the 2023/24 budget including an estimate of £50,000 for ongoing temporary ISIO support costs pending appointment of a Pensions Manager.
- 4.4 The budget for 2023/24 investment manager fees is based on the current managers with full implementation of the approved strategic asset allocation.
- 4.5 The budget for 2023/24 for Administration includes an allowance for work required for the Triennial Valuation and Pension Fund Training delivered on 17 May 2023.

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 Committee incorporates an element of income generating assets to supplement member and employer contributions. These income generation 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 table over details the cashflow movements for the financial year 2022/2023. The graph reflects cash expenditure for pension benefits, investment manager fees and operational costs of the Fund. 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 months with surplus income and others with deficits. However over the 12 month period shown the total cash received was £36.7m, cash expenditure was £32.1m, resulting in a cash surplus of £4.6m 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 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.

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 required 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 not 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 are being consulted on this report and any comments will be reported at the Committee meeting.

Approved by

Name Suzy Douglas **Signature**

Title Acting Chief Financial Officer

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 21 March 2023

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.

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