
PENSION FUND BUDGET MONITORING TO 30 JUNE 2023

Report by Director of Finance and Procurement

JOINT PENSION FUND COMMITTEE AND PENSION FUND BOARD

22 September 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 30 June 2023 including projections to 31 March 2024.**
- 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 22 June 2023 following the recommendations within the CIPFA accounting guidelines headings. This report is the first quarterly monitoring report of the approved budgets.
- 1.4 The total expenditure to 30 June 2023 is £1.596m with a projected total expenditure of £6.967m against a budget of £6.953m. This projects a budget variance of £14k which represents the additional actuary costs for contribution rate modelling.

2 RECOMMENDATIONS

2.1 It is recommended that the Pension Fund Committee: -

- (a) Notes the actual expenditure to 30 June 2023; 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 22 June 2023 for 2023/24. 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 2023

- 4.1 The table below shows the expenditure to 30 June 2023, projected out-turn to 31 March 2024 and current approved budget for 2023/24.

	Expenditure to 30 June 23 £000's	Projected to 31 March 24 £000's	2023/24 Budget	2023/24 Variance £000's
Investment Management	1,332 (Please see 4.2)	6,008	6,008	0
Administration	114	474	474	0
Oversight & Governance	150	485	471	14
Total	1,596	6,967	6,953	14

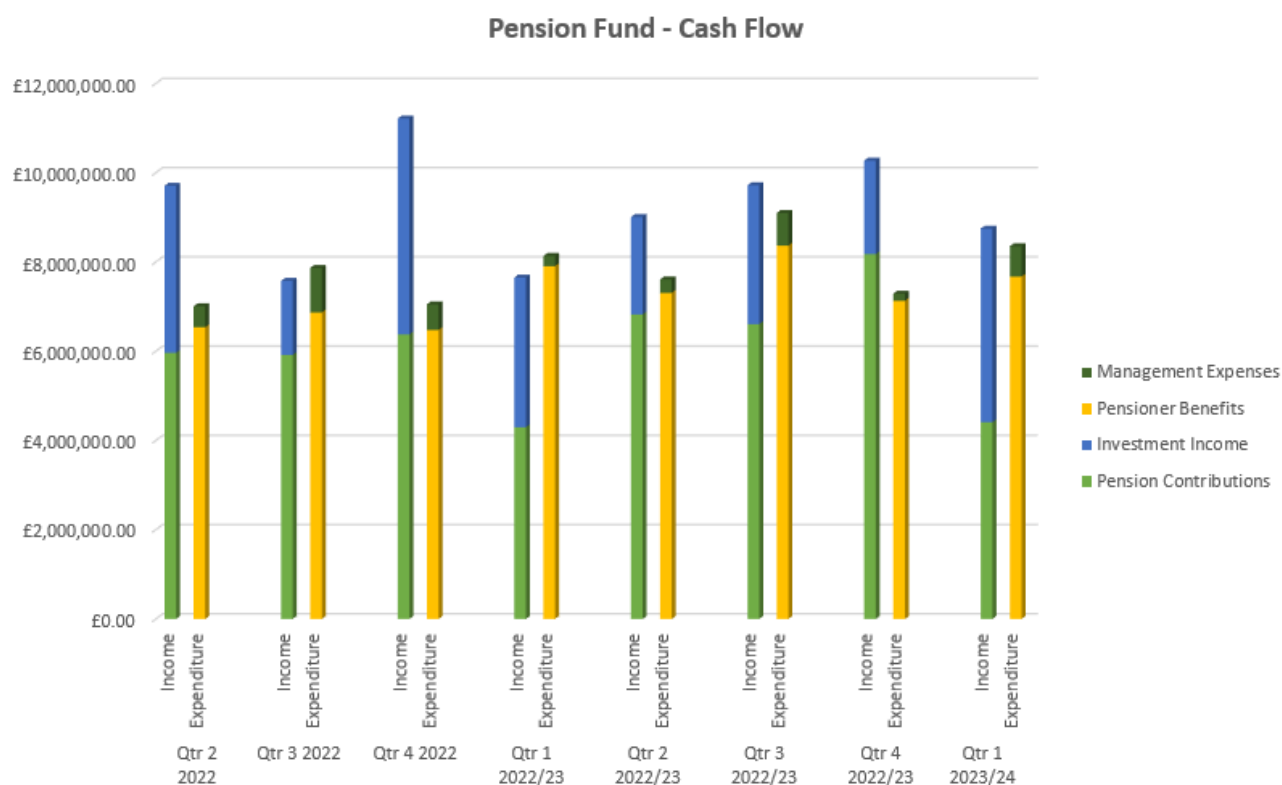
- 4.2 Investment Management fees are charged on a quarterly basis in arrears based on the value of assets held on a quarterly basis. The first quarter's investment management fees are not complete in that a number of

investment managers have not provided their fees for the quarter to 30 June 2023.

- 4.3 Reflected within Administration additional costs of £14k which represents additional actuary costs for contribution rate modelling.
- 4.4 Included within the Oversight & Governance outturn above are costs of £30,700 in relation to additional Isio support costs to assist with management of the Pension Fund during 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 graph over reflects cash expenditure for pension benefits, investment manager fees and operational costs of the Fund on a quarterly basis from April 2022 to June 2023. 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 quarter with surplus income and others with deficits. However over the 24 month period shown the total cash received was £73.9m, cash expenditure was £62.4m, resulting in a cash surplus of £11.5m 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 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.

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 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.

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 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

Name **Suzy Douglas** **Signature**
Title **Director of Finance and Procurement**

Author(s)

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Background Papers: Previous Minute Reference: Joint Pension Fund Committee and Pension Fund Board 22 June 2023

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