
PENSION FUND BUDGET MONITORING TO 31 December 2023 AND BUDGET 2024/25

Report by Director of Finance and Procurement

JOINT PENSION FUND COMMITTEE AND PENSION FUND BOARD

04 March 2024

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 2023 and seek agreement of the proposed budget for 2024/25.**
- 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 third quarterly monitoring report of the approved budget.
- 1.4 The total expenditure to 31 December 2023 is £6.010m (see section 4.1 for breakdown) with a projected total expenditure of £6.997m against a budget of £6.953m.
- 1.5 The proposed budget for 2024/25 is £7.558m, a breakdown of the anticipated costs is included in Appendix 1.

2 RECOMMENDATIONS

2.1 It is recommended that the Pension Fund Committee:-

- (a) Agrees the project expenditure for 2023/24 as the revised budget for 2023/24 and**
- (b) Agrees the proposed budget of £7.558m set out in table 4.1 for financial year 2024/25.**

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 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 2023

- 4.1 The table below shows the expenditure to 31 December 2023, projected outturn to 31 March 2024 and current approved budget for 2023/24.

	Expenditure to 31 December 23 £000's	Projected to 31 March 24 £000's	2023/24 Budget £000's	2023/24 Variance £000's	2024/25 Proposed Budget £000's
Investment Management	4,144 (see 4.2)	6,008	6,008	0	6,627
Administration	260	518 (see 4.3)	474	44	646
Oversight & Governance	366	471	471	0	285
Total	4,770	6,997	6,953	44	7,558

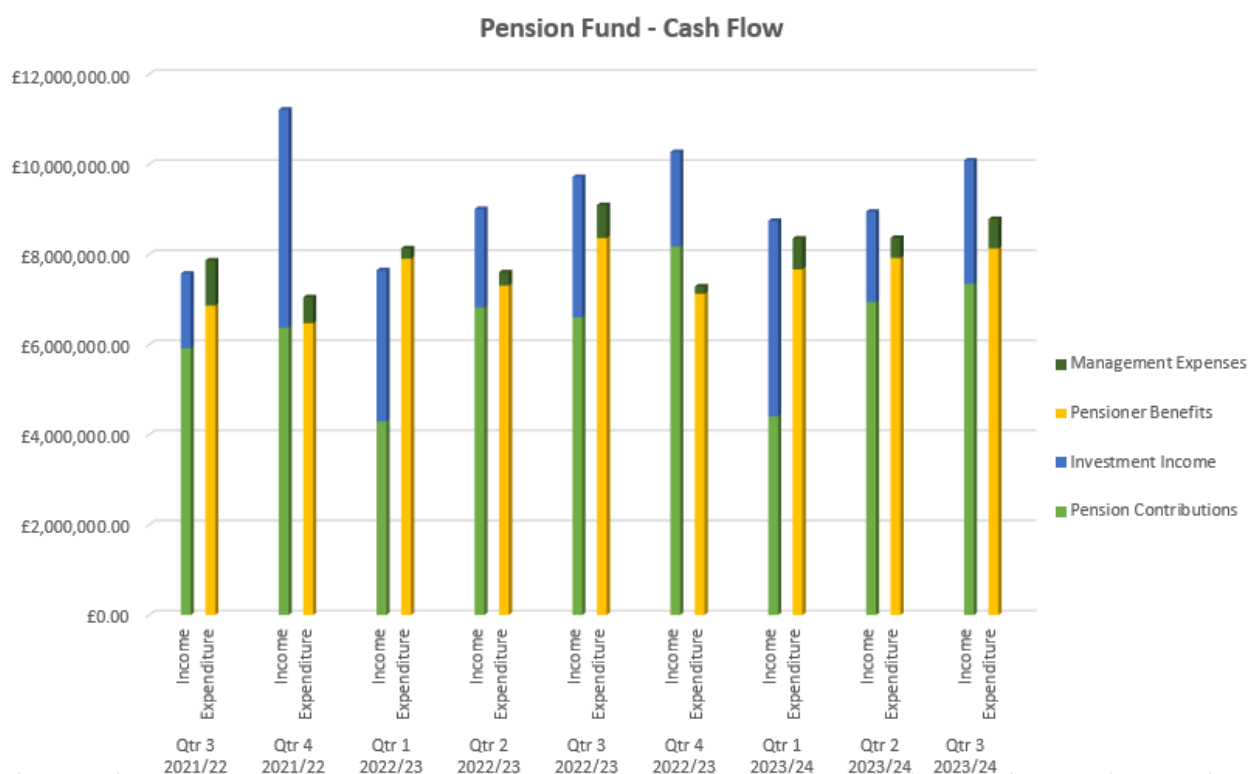
- 4.2 Investment Management fees are charged on a quarterly basis in arrears based on the value of assets held on a quarterly basis. A number of third

quarter's investment management fees have been received, with the remaining estimated for the expenditure to 31 December 2023.

- 4.3 Increased projected spend for Administrative Costs are as a result of higher pay award for Scottish Borders Council staff than originally forecast, final payment for McCloud changes to the system and additional work carried out by the Fund Actuary, at the request of officers, to support Triennial Valuation process.
- 4.4 Appendix 1 includes a breakdown of Proposed Budget for 2024/25. The Administration figures include an assumption that the increasing staffing within the Pensions Administration team will be approved as per report to be presented at this meeting and the Licence Fee for the 5 year extension of the Pensions Administration software is due this year as a one off cost.

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 below reflects cash expenditure for pension benefits, investment manager fees and operational costs of the Fund on a quarterly basis from October 2021 to December 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 quarters with surplus income and others with deficits. However over the 24 month period shown the total cash received was £83.2m, cash expenditure was £72.5m, resulting in a cash surplus of £10.7m 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 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 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 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

Signature

Director of Finance and Procurement

Author(s)

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Background Papers: Previous Minute Reference: Joint Pension Fund Committee and Pension Fund Board 12 December 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.

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