

**PENSION FUND COMMITTEE – 15 SEPTEMBER 2017**  
**PENSION FUND BUDGET OUTTURN REPORT FOR THE YEAR**  
**ENDED 31 MARCH 2017.**

**Report of the Director of Finance**

**Introduction**

1. In March 2016 the Pension Fund Committee agreed a budget in respect of the Pension Fund for the 2016/17 financial year. The production of an annual budget is in accordance with a recommendation of best practice set out in the CIPFA Principles for Investment Decision Making in the Local Government Pension Scheme.
2. Annex 1 compares the outturn figures against the budget and shows the variations for each budget line. The overall outturn position was an overspend of £479,000. The reasons for any material variations are explained below.

**Scheme Administration Expenses**

3. **Administrative Employee Costs** were underspent by a total of £240,000. The agreed budget provision included costs for staffing of the project to clear a backlog of work, (unprocessed leavers) and to undertake the GMP reconciliation exercise, which did not start in year. This is now being put in process. Also, during the last year the team has carried several vacancies which in addition to reducing staffing costs has had a knock on effect to the training budget which has not been fully spent.
4. The budget for **Support Services Including ICT** was underspent by £65,000. The budget provision had included the purchase of new printers and scanners, which was put on hold pending the office move. Further provisions had been made for changes to the scheme, which did not materialise, but would have incurred additional software and development costs.
5. **Advisory and Consultancy Fees** were underspent by £40,000. The majority of this was due to an error in the original budget which resulted in the provision for these fees being overstated.
6. **Other Costs** were overspent by £16,000. The majority of this overspend was attributable to postage costs arising from the implementation of member self-service for pensioners.

## Investment Management Expenses

7. **Fund Management Fees.** Although a budgeted sum is agreed for this item it is not possible to accurately estimate the annual charges because they are linked to the market values of the assets being managed, which continually fluctuate. The actual spend on fund management fees for 2016/17 was £766,000 above the budgeted amount. The overspend predominantly came from the equity and bond portfolios where actual returns were significantly greater than those forecast and used in setting the management fees budget.
8. The 2016/17 budget and actuals are based on the CIPFA guidance for calculating management fees and as such include management fees that are borne by the fund but are not invoiced. The Pension Fund is invoiced for some management fees but for investments in pooled funds management fees are typically deducted at source so are factored in to the price of units in the pooled fund.

## Oversight & Governance Expenses

9. **Advisory & Consultancy Fees** were overspent by £54,000. This was due to higher costs than forecast relating to the project to establish the Brunel Pension Partnership. At the time the budget was set, the business case for the Brunel project was only in outline form. As this was further developed, the complexity of the project became clearer, and the requirement for additional specialist consultancy support was agreed through the Shadow Oversight Board, and subsequently this Committee.

## RECOMMENDATIONS

10. **The Committee is RECOMMENDED to receive the report and note the out-turn position.**

Lorna Baxter  
Director of Finance

Background Papers:           None

Contact Officers:               Gregory Ley, Financial Manager

Sally Fox, Pensions Administration Manager

August 2017

**Pension Fund Budget Outturn for the Financial Year ended 31 March 2017**

	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
<b>Administrative Expenses</b>			
Administrative Employee Costs	1,044	804	-240
Support Services Including ICT	392	327	-65
Printing & Stationary	51	49	-2
Advisory & Consultancy Fees	45	5	-40
Other	44	60	16
<b>Total Administrative Expenses</b>	<b>1,576</b>	<b>1,245</b>	<b>-331</b>
<b>Investment Management Expenses</b>			
Management Fees	6,540	7,306	766
Custody Fees	70	68	-2
Other	0	0	0
<b>Total Investment Management Expenses</b>	<b>6,610</b>	<b>7,374</b>	<b>764</b>
<b>Oversight &amp; Governance</b>			
Investment Employee Costs	224	224	0
Support Services Including ICT	40	46	6
Actuarial Fees	75	72	-3
External Audit Fees	24	30	6
Internal Audit Fees	14	14	0
Advisory & Consultancy Fees	113	167	54
Other	48	31	-17
<b>Total Oversight &amp; Governance Expenses</b>	<b>538</b>	<b>584</b>	<b>46</b>
<b>Total Pension Fund Budget</b>	<b>8,724</b>	<b>9,203</b>	<b>479</b>