

PENSION FUND COMMITTEE – 4 SEPTEMBER 2015

PENSION FUND BUDGET OUTTURN REPORT FOR THE YEAR ENDED 31 MARCH 2015.

Report by Chief Finance Officer

Introduction

1. In March 2014 the Pension Fund Committee agreed a budget in respect of the Pension Fund for the 2014/15 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 underspend of £468,000. The reasons for any material variations are explained below.

Scheme Administration Expenses

3. **Administrative Employee Costs** were underspent by a total of £93,000. This was due to vacancies within the team continuing from the previous year. Temporary staff were used to cover assistant roles but not administrator roles which resulted in an underspend on the training element of the budget.
4. The budget for **Support Services Including ICT** was overspent by £44,000 due to payment of initial license fees for new modules for immediate payments, autotask and member self-service on the pensions administration software platform.
5. **Advisory & Consultancy Fees** were underspent by £106,000. This is mainly a result of the £100,000 included in the budget for project BOB costs not being required due to the decision not to proceed with the project.

Investment Management Expenses

6. **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 2014/15 was £126,000 below the budget forecast.

7. The **Global Custody Fee** is dependent upon the market value of assets held, the type of investments and the number and type of trades arranged by the fund managers. It is therefore not possible to accurately predict the total fee for the year. The Global Custody Fee budget was underspent by £30,000 during 2014/15.

Oversight & Governance Expenses

8. **Investment Employee Costs** were underspent by £51,000 due to the carrying of a vacancy within the team during the year.
9. The expenditure on **External Audit Fees** was £35,000 lower than forecast, the 2015/16 budget that was approved in March 2015 has taken the lower fees in to account.
10. **Advisory & Consultancy Fees** were underspent by £70,000. This was due to lower than forecast expenditure related to the fundamental review, where additional budget was included in 2014/15 for potential work on making new investments or transitioning assets between funds as a result of the review.

RECOMMENDATION

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

Lorna Baxter
Chief Finance Officer

Background Papers: None

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August 2015

Pension Fund Budget Outturn for the Financial Year ended 31 March 2015

	Budget £'000	Actual £'000	Variance £'000
Administrative Expenses			
Administrative Employee Costs	876	783	-93
Support Services Including ICT	313	357	44
Printing & Stationary	40	22	-18
Advisory & Consultancy Fees	115	9	-106
Other	104	121	17
Total Administrative Expenses	1,448	1,292	-156
Investment Management Expenses			
Management Fees	3,800	3,674	-126
Custody Fees	100	70	-30
Total Investment Management Expenses	3,900	3,744	-156
Oversight & Governance			
Investment Employee Costs	223	172	-51
Actuarial Fees	50	49	-1
External Audit Fees	57	22	-35
Internal Audit Fees	14	14	0
Advisory & Consultancy Fees	160	90	-70
Other	50	51	1
Total Oversight & Governance Expenses	554	398	-156
Total Pension Fund Budget	5,902	5,434	-468