



North East Scotland Pension Fund

nespf

Budget/Forecast 2024-25

Period 1 April 2024 to 31 March 2025

1. Budget/Forecast 2024-25

Section 2 below shows the NESPF Budget/Forecast 2024-25. The budget/forecast includes a re-alignment of cost headings that follows guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) for Pension Funds. Additional NESPF Budget/Forecast is added for costs outwith the Council's Budget and for those costs directly paid for by the Fund.

Administrative Expenses – all staff costs of the pension administration team are charged direct to the Fund quarterly. Associated management costs are apportioned to this activity and charged annually as expenses to the Fund.

Oversight and Governance Expenses – all staff costs associated with oversight and governance are charged direct to the Fund quarterly. Associated management costs are apportioned to this activity and charged annually as expenses to the Fund.

Investment Management Expenses – Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointment. Broadly, these are based on the market value of the investments under their management and therefore increase or decrease as the market value of these investments change. Fund Managers charge their fees quarterly in arrears. In addition, the Fund has negotiated performance related fees with a few of its investment managers. If applicable, performance fees are charged annually at the year end. The unpredictability of market forces for these elements makes forecasting extremely difficult with any degree of accuracy.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has reviewed and revised their guidance to Pension Funds on Accounting for Scheme Management Costs, as a result, the Fund no longer accounts for indirect partnership fees.

Transaction Costs and Direct Property Expenses are included within the section 'Investment Management Expenses'. Other Investment related expenses (e.g. investment advice and litigation, etc) are included within the section 'Oversight & Governance Expenses'.

2. Budget/Forecast 2024-25

	Notes	ACC Full Year Budget/Forecast 2024-25	Additional Budget/Forecast 2024-25	NESPF Full Year Budget/Forecast 2024-25
		£'000	£'000	£'000
Administrative Staff Costs*		2,037	91	2,128
Information Technology		37	538	575
Supplies & Services		80	69	149
Accommodation		0	573	573
Printing & Publications		0	20	20
Administration Expenses Total		2,154	1,291	3,445
Investment Staff Costs*		256	27	283
Pension Fund Committee		2	2	4
Pension Board		1	5	6
External Audit Fee		0	52	52
Internal Audit Fee		12	0	12
Actuarial Fees		0	338	338
General Expenses		0	220	220
Oversight & Governance Expenses Total		271	644	915
Investment Management Fees		0	15,316	15,316
Performance Fees		0	5,977	5,977
Direct Operating Property Expenses		0	779	779
Transaction Costs		0	1,120	1,120
Custody Fees		0	174	174
Investment Management Expenses Total**		0	23,366	23,366
Management Expenses Grand Total		2,425	25,301	27,726

Note:

* The Aberdeen City Council (ACC) Staffing Budget for the Pension Fund in past years was done on a 'roll forward' basis. This created anomalies between the budgeting approach taken by the Council and that of the Fund. To help address this issue and close the gap, a 'hard reset' was done for 2024-25 to bring the Council's budget into closer alignment with that of the Fund. However, it is important to note that there will still be costs paid for directly by the NESPF, as shown in the 'Additional' column. Therefore, the budgets will never be the same. Regardless of any difference, all staff costs processed by the Council are recharged by the Council to the Fund, i.e. it is cost neutral from a Council perspective.

** Investment Management Expenses are a forecast of costs rather than a traditional budget. This is due to the level of estimation involved and the extent of the unknown, especially given that Investment Management and Performance Fees are based upon an unpredictable Market Value. This terminology has been adopted following discussions with the CIPFA Pensions Network.