

Appendix I – 2017/18 BUDGET/FORECAST AND PROJECTED SPEND

The Budget and Projected Spend for NESPF Administration Expenses are shown below:

	Notes	Full Year Budget 2017/18	Budget to 31/12/17	Actual Spend to 31/12/17	Accrual to 31/12/17	Amended Spend to 31/12/17	Over or (Under) to 31/12/17	Proj Annual Spend 2017/18	Proj Over or (Under) Spend 2017/18
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Administrative Staff Costs	1	1,144	858	614	247	861	3	1,125	(19)
Support Services inc IT		575	431	374	104	478	47	575	0
Printing & Publications		30	23	30	0	30	7	30	0
Administration Expenses Total		1,749	1,312	1,018	351	1,369	57	1,730	(19)

Note (Spend Variance \pm 5%):

1. Under spend – The previously reported variance of \pm 5% arising from new posts yet to be advertised and filled has since been offset against Voluntary Severance and Strain Costs.

Appendix I – 2017/18 BUDGET/FORECAST AND PROJECTED SPEND (continued)

The Budget and Projected Spend for NESPF Oversight & Governance Expenses are shown below:

	Notes	Full Year Budget 2017/18 £'000	Budget to 31/12/17 £'000	Actual Spend to 31/12/17 £'000	Accrual to 31/12/17 £'000	Amended Spend to 31/12/17 £'000	Over or (Under) to 31/12/17 £'000	Proj Annual Spend 2017/18 £'000	Proj Over or (Under) Spend 2017/18 £'000
Investment Staff Costs		157	118	72	41	113	(5)	150	(7)
Pension Fund Committee		15	11	3	3	6	(5)	15	0
Pension Board		5	4	1	0	1	(3)	5	0
External Audit Fee	1	35	26	0	11	11	(15)	33	(2)
Internal Audit Fee		10	7	0	7	7	0	10	0
Actuarial Fees	2	100	75	75	43	118	43	157	57
General Expenses	3	150	113	73	47	120	7	165	15
Oversight & Governance Expenses Total		472	354	224	152	376	22	535	63

Note (Spend Variance \pm 5%):

1. Under spend – Reduction in Audit Scotland Fee in real terms.
2. Over spend – Projection based upon current spend trend. Although, this spend trend is unlikely to be constant and may increase or decrease in response to actions taken elsewhere within the Pension Fund. However, if the trend of current spend continues, an over spend is anticipated.
3. Over spend – Projection based upon current spend trend. Although, this spend trend is unlikely to be constant and may increase or decrease in response to actions taken elsewhere within the Pension Fund. However, if the trend of current spend continues, an over spend is anticipated.

Appendix I – 2017/18 BUDGET/FORECAST AND PROJECTED SPEND (continued)

The Forecast and Projected Spend for NESPF Investment Management Expenses are shown below:

	Notes	Full Year Forecast 2017/18	Forecast to 31/12/17	Actual Spend to 31/12/17	Accrual to 31/12/17	Amended Spend to 31/12/17	Over or (Under) to 31/12/17	Proj Annual Spend 2017/18	Proj Over or (Under) Spend 2017/18
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Investment Management		11,200	8,400	2,212	5,423	7,635	(765)	11,760	560
Performance Fees		4,620	3,465	(608)	4,099	3,491	26	4,655	35
Direct Property Expenses	1	400	300	171	23	194	(106)	265	(135)
Transaction Costs	2	1,200	900	1,458	417	1,875	975	2,499	1,299
Custody Fees	3	135	101	54	33	87	(14)	120	(15)
Investment Management Expenses Total		17,555	13,166	3,287	9,995	13,282	116	19,299	1,744

Note (Spend ± 5%):

1. The Projected Spend for 2017/18 is based upon the Fund Manager's estimation for the year. The Fund Manager does not foresee the same level of 'lease surrender' as previously experienced in 2016-17. However, caution should be exercised regarding this 'underspend'. Predicting the property market is extremely difficult especially when seeking to determine whether or not there will be an element of the unknown, i.e. 'lease surrender', in the spend for the year.

2. Transaction Costs are reported by the Custodian (BNPP) as at the reporting date then projected for the remaining part of the year. Albeit a useful guide, using past transaction activity as a basis for projecting costs carries the risk of over/under stating the spend for the year. If current transaction activity continues, including Fund Manager transitions, an over spend is anticipated.

Analysis of Transaction Costs Actual Spend for the period 1 April 2017 to 31 December 2017:

	Commission (£)	Fees/Tax (£)	Total (£)
Equities	146,880	529,467	676,347
Fixed Income	781,375	0	781,375
Grand Total (£)	928,255	529,467	1,457,722

3. Under spend – Less Custody fees as a result of there being more pooled funds and less active Fund Managers.

Important to Note

Appendix I is a forecast of costs for Investment Management Expenses 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.