

Appendix I – 2018/19 BUDGET/FORECAST AND PROJECTED SPEND

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

	Notes	Full Year Budget 2018/19 £'000	Budget to 31/12/18 £'000	Actual Spend to 31/12/18 £'000	Accrual to 31/12/18 £'000	Amended Spend to 31/12/18 £'000	Over or (Under) to 31/12/18 £'000	Proj Annual Spend 2018/19 £'000	Proj Over or (Under) Spend 2018/19 £'000
Administrative Staff Costs	1	1,281	961	498	268	766	(195)	1,056	(225)
Support Services Inc IT	2	659	494	393	113	506	12	563	(96)
Printing & Publications		23	17	16	3	19	2	22	(1)
Administration Expenses Total		1,963	1,472	907	384	1,291	(181)	1,641	(322)

Note (Spend Variance \pm 5%):

1. Under spend – New posts some of which recently filled and some yet to be filled.
2. Under spend – GMP Reconciliation being undertaken in-house. Web design project being delayed until 2019/20.

Appendix I – 2018/19 BUDGET/FORECAST AND PROJECTED SPEND (continued)

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

	Notes	Full Year Budget 2018/19 £'000	Budget to 31/12/18 £'000	Actual Spend to 31/12/18 £'000	Accrual to 31/12/18 £'000	Amended Spend to 31/12/18 £'000	Over or (Under) to 31/12/18 £'000	Proj Annual Spend 2018/19 £'000	Proj Over or (Under) Spend 2018/19 £'000
Investment Staff Costs	1	189	142	68	42	110	(32)	148	(41)
Pension Fund Committee	2	11	8	4	4	8	0	18	7
Pension Board	3	4	3	1	0	1	(2)	5	1
External Audit Fee		40	30	0	30	30	0	40	0
Internal Audit Fee		10	7	0	8	8	1	10	0
Actuarial Fees	4	112	84	132	30	162	78	250	138
General Expenses	5	106	80	105	4	109	29	158	52
Oversight & Governance Expenses Total		472	354	310	118	428	74	629	157

Note (Spend Variance \pm 5%):

1. Under spend – new post yet to be filled.
2. Over spend – Level of spend for the training event in London will largely depend upon the level of attendance, flight, hotel and subsistence costs, which has yet to be invoiced by Aberdeen City Council.
3. Over spend – see Note 2.
4. Over spend – Demographic exercise in advance of the next valuation, new IT system 'Pharoe', Speaker Fee, Universal Data Extract Charges, legislative changes and advice/monitoring re Brexit.
5. Over spend – Increased usage of investment and legal advice, i.e. KPMG and Brodies.

Appendix I – 2018/19 BUDGET/FORECAST AND PROJECTED SPEND (continued)

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

	Notes	Full Year Forecast 2018/19	Forecast to 31/12/18	Actual Spend to 31/12/18	Accrual to 31/12/18	Amended Spend to 31/12/18	Over or (Under) to 31/12/18	Proj Annual Spend 2018/19	Proj Over or (Under) Spend 2018/19
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Investment Management		12,097	9,073	2,988	5,488	8,476	(597)	11,620	(477)
Performance Fees		5,536	4,152	(3,804)	7,956	4,152	0	5,536	0
Direct Property Expenses	1	250	187	126	0	126	(61)	190	(60)
Transaction Costs	2	2,000	1,500	854	163	1,017	(483)	1,357	(643)
Custody Fees		145	109	69	35	104	(5)	146	1
Investment Management Expenses Total		20,028	15,021	233	13,642	13,875	(1,146)	18,849	(1,179)

Note (Spend ± 5%):

1. The Forecast for 2018/19 is based upon the Fund Manager's estimation for the year. The most significant movement is the projected level of 'Shortfall on Services', which includes Void Rates and Service Charge Costs. These costs can fluctuate as tenants change throughout the year.
2. Transaction Costs are reported by the Custodian (HSBC) 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 then it is anticipated that there will be an underspend.

2(a). Transaction Costs are reported by the Custodian (HSBC).

Analysis of Transaction Costs for the period 1 April 2018 to 31 December 2018:

	Commission (£)	Expenses (£)	Tax (£)	Total (£)
Equities	265,985.38	8,160.71	558,868.22	833,014.31
Pooled – Unit Trust	0	41,032.66	0	41,032.66
Private Equity	0	143,849.66	0	143,849.66
Grand Total (£)	265,985.38	193,043.03	558,868.22	1,017,896.63

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.