

Appendix I – 2021/22 BUDGET/FORECAST AND PROJECTED SPEND

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

| | Notes | Full Year Budget 2021/22 | Budget to 30/09/21 | Actual Spend to 30/09/21 | Accrual to 30/09/21 | Amended Spend to 30/09/21 | Over or (Under) to 30/09/21 | Proj Annual Spend 2021/22 | Proj Over or (Under) Spend 2021/22 |
|--------------------------------------|-------|--------------------------|--------------------|--------------------------|---------------------|---------------------------|-----------------------------|---------------------------|------------------------------------|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Administrative Staff Costs | 1 | 1,615 | 808 | 302 | 327 | 629 | (179) | 1,347 | (268) |
| Information Technology | | 516 | 258 | 398 | 16 | 414 | 156 | 500 | (16) |
| Supplies & Services | | 151 | 75 | 41 | 58 | 99 | 24 | 157 | 6 |
| Accommodation | 2 | 385 | 193 | 82 | 160 | 242 | 49 | 405 | 20 |
| Printing & Publications | | 20 | 10 | 9 | 0 | 9 | (1) | 20 | 0 |
| Administration Expenses Total | | 2,687 | 1,344 | 832 | 561 | 1,393 | 49 | 2,429 | (258) |

Note (Spend Variance ± 5%):

1. Under spend – Vacancies pending recruitment process and limited staff travel costs during lockdown.
2. Over spend – Extra Marischal Square Fit Out costs offset against a small saving re exit from Marischal College.

Appendix I – 2021/22 BUDGET/FORECAST AND PROJECTED SPEND (continued)

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

| | Notes | Full Year Budget 2021/22 | Budget to 30/09/21 | Actual Spend to 30/09/21 | Accrual to 30/09/21 | Amended Spend to 30/09/21 | Over or (Under) to 30/09/21 | Proj Annual Spend 2021/22 | Proj Over or (Under) Spend 2021/22 |
|--------------------------------------------------|-------|--------------------------|--------------------|--------------------------|---------------------|---------------------------|-----------------------------|---------------------------|------------------------------------|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Investment Staff Costs | 1 | 243 | 122 | 43 | 49 | 92 | (30) | 211 | (32) |
| Pension Fund Committee | 2 | 15 | 8 | 0 | 1 | 1 | (7) | 15 | 0 |
| Pension Board | 3 | 10 | 5 | 0 | 1 | 1 | (4) | 10 | 0 |
| External Audit Fee | | 43 | 21 | 0 | 21 | 21 | 0 | 42 | (1) |
| Internal Audit Fee | | 6 | 3 | 0 | 3 | 3 | 0 | 6 | 0 |
| Actuarial Fees | 4 | 300 | 150 | 77 | 26 | 103 | (47) | 207 | (93) |
| General Expenses | | 180 | 90 | 42 | 0 | 42 | (48) | 182 | 2 |
| Oversight & Governance Expenses Total | | 797 | 399 | 162 | 101 | 263 | (136) | 673 | (124) |

Note (Spend Variance \pm 5%):

1. Under spend – same as Admin Staff Costs note.
2. Neutral – Assumption based upon the annual training event held in London proceeding.
3. Neutral – Assumption based upon the annual training even held in London proceeding.
4. Under spend – Slowing down of costs associated with Project Dallas.

Appendix I – 2021/22 BUDGET/FORECAST AND PROJECTED SPEND (continued)

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

| | Notes | Full Year Forecast 2021/22 | Forecast to 30/09/21 | Actual Spend to 30/09/21 | Accrual to 30/09/21 | Amended Spend to 30/09/21 | Over or (Under) to 30/09/21 | Proj Annual Spend 2021/22 | Proj Over or (Under) Spend 2021/22 |
|---------------------------------------------|-------|----------------------------|----------------------|--------------------------|---------------------|---------------------------|-----------------------------|---------------------------|------------------------------------|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Investment Management | 1 | 12,679 | 6,340 | 1,267 | 4,741 | 6,008 | (332) | 12,017 | (662) |
| Performance Fees | | 10,430 | 5,215 | 0 | 5,215 | 5,215 | 0 | 10,430 | 0 |
| Direct Property Expenses | 2 | 533 | 266 | 967 | (516) | 451 | 185 | 622 | 89 |
| Transaction Costs | 3 | 1,183 | 592 | 1,417 | 0 | 1,417 | 825 | 2,835 | 1,652 |
| Custody Fees | | 146 | 73 | 60 | 12 | 72 | (1) | 145 | (1) |
| Investment Management Expenses Total | | 24,971 | 12,486 | 3,711 | 9,452 | 13,163 | 677 | 26,049 | 1,078 |

Note (Spend ± 5%):

1. Investment Management costs as at the reporting date are projected for the remaining part of the year. However, costs associated with private equity are not calculated until the year end. Therefore, uncertainty in projecting these costs carries the risk of over/under stating the spend for the year. It is anticipated that there will be an under spend.
2. The Forecast for 2021/22 is based upon the Fund Manager's estimation for the year. It is anticipated that there will be an over spend, which is largely associated with an ad hoc write off for a former tenant who was responsible for the letting of student flats.

3. 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 over spend.

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

Analysis of Transaction Costs for the period 1 April 2021 to 30 September 2021:

| | Commission (£) | Expenses (£) | Tax (£) | Total (£) |
|------------------------|-------------------|------------------|-------------------|---------------------|
| Equities | 539,317.87 | 906.07 | 852,578.03 | 1,392,801.97 |
| Pooled – Unit Trust | 0.00 | 24,565.86 | 0.00 | 24,565.86 |
| Grand Total (£) | 539,317.87 | 25,471.93 | 852,578.03 | 1,417,367.83 |

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.