



North East Scotland Pension Fund

**nespf**

# **Budget/Forecast & Projected Spend 2022/23**

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**Reporting Period to September 2022**

## 1. Budget/Forecast and Projected Spend 22/23

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Sections 3 – 6 below show the NESPF Budget 2022/23. The budget 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 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. Governance

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The Pension Fund projected costs for salaries and direct costs are included in monthly monitoring reports to the Service and Corporate Management Teams. The Chief Officer-Finance reports to the Pensions Committee on a quarterly basis.

### 3. Budget and Projected Spend for NESPF Administration Expenses

	Notes	Full Year Budget 2022/23 £'000	Budget to 30/09/22 £'000	Actual Spend to 30/09/22 £'000	Accrual to 30/09/22 £'000	Amended Spend to 30/09/22 £'000	Over or (Under) to 30/09/22 £'000	Proj Annual Spend 2022/23 £'000	Proj Over or (Under) Spend 2022/23 £'000
Administrative Staff Costs		1,626	813	399	382	781	(32)	1,562	(64)
Information Technology		488	244	308	134	442	198	483	(5)
Supplies & Services	1	140	70	32	67	99	29	190	50
Accommodation		543	271	321	11	332	61	557	14
Printing & Publications		13	7	8	0	8	1	13	0
<b>Administration Expenses Total</b>		<b>2,810</b>	<b>1,405</b>	<b>1,068</b>	<b>594</b>	<b>1,662</b>	<b>257</b>	<b>2,805</b>	<b>(5)</b>

**Note (Spend Variance  $\pm$  5%):**

1. Overspend – Increase in postage and stationery costs.

## 4. Budget and Projected Spend for NESPF Oversight & Governance Expenses

	Notes	Full Year Budget 2022/23 £'000	Budget to 30/09/22 £'000	Actual Spend to 30/09/22 £'000	Accrual to 30/09/22 £'000	Amended Spend to 30/09/22 £'000	Over or (Under) to 30/09/22 £'000	Proj Annual Spend 2022/23 £'000	Proj Over or (Under) Spend 2022/23 £'000
Investment Staff Costs		265	132	53	55	108	(24)	252	(13)
Pension Fund Committee		18	9	0	2	2	(7)	18	0
Pension Board		13	7	0	2	2	(5)	13	0
External Audit Fee		47	24	0	24	24	0	47	0
Internal Audit Fee		12	6	0	6	6	0	12	0
Actuarial Fees	1	180	90	109	10	119	29	237	57
General Expenses		297	148	86	35	121	(27)	302	5
<b>Oversight &amp; Governance Expenses Total</b>		<b>832</b>	<b>416</b>	<b>248</b>	<b>134</b>	<b>382</b>	<b>(34)</b>	<b>881</b>	<b>49</b>

**Note (Spend Variance  $\pm$  5%):**

1. Overspend – Increase in Actuarial advice on several matters, e.g. Projects, Market Volatility, Deferred Debt, etc.

## 5. Forecast and Projected Spend for NESPF Investment Management Expenses

	Notes	Full Year Forecast 2022/23	Forecast to 30/09/22	Actual Spend to 30/09/22	Accrual to 30/09/22	Amended Spend to 30/09/22	Over or (Under) to 30/09/22	Proj Annual Spend 2022/23	Proj Over or (Under) Spend 2022/23
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Investment Management		14,304	7,152	827	6,325	7,152	0	14,304	0
Performance Fees		8,817	4,408	0	4,408	4,408	0	8,817	0
Direct Property Expenses	1	1,184	592	412	0	412	(180)	824	(360)
Transaction Costs	2	2,226	1,113	530	0	530	(583)	1,060	(1,166)
Custody Fees		177	89	49	18	67	(22)	175	(2)
<b>Investment Management Expenses Total</b>		<b>26,708</b>	<b>13,354</b>	<b>1,818</b>	<b>10,751</b>	<b>12,569</b>	<b>(785)</b>	<b>25,180</b>	<b>(1,528)</b>

**Note (Spend  $\pm$  5%):**

1. Underspend – Decrease in Bad Debt Write Off.
2. Transaction Costs are reported by the Custodian (HSBC) as at the reporting date (see further analysis) 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.

**Important to Note:**

The above 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.



## 6. Analysis of Transaction Costs for the Period 1 April 2022 to 30 September 2022

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	Commission (£)	Expenses (£)	Tax (£)	Total (£)
Equities	131,866.67	14,355.60	343,007.25	489,229.52
Pooled – Unit Trust	0.00	40,650.99	0.00	40,650.99
Grand Total (£)	<b>131,866.67</b>	<b>55,006.59</b>	<b>343,007.25</b>	<b>529,880.51</b>