



North East Scotland Pension Fund

nespf

Budget/Forecast & Projected Spend 2023/24

Reporting Period to September 2023

1. Budget/Forecast and Projected Spend 23/24

Sections 3 – 6 below show the NESPF Budget 2023/24. 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

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 2023/24 £'000	Budget to 30/09/23 £'000	Actual Spend to 30/09/23 £'000	Accrual to 30/09/23 £'000	Amended Spend to 30/09/23 £'000	Over or (Under) to 30/09/23 £'000	Proj Annual Spend 2023/24 £'000	Proj Over or (Under) Spend 2023/24 £'000
Administrative Staff Costs	1	1,804	902	411	416	827	(75)	1,932	128
Information Technology		527	263	488	28	516	253	552	25
Supplies & Services	2	177	89	66	74	140	51	206	29
Accommodation		507	254	388	9	397	143	524	17
Printing & Publications		17	8	9	3	12	4	17	0
Administration Expenses Total		3,032	1,516	1,362	530	1,892	376	3,231	199

Note (Spend Variance \pm 5%):

1. Overspend – Pay Award and ACC budget structure mismatch with offset from vacant posts (Note: Structure 48 FTE v Actual 41.63 FTE).
2. Overspend – Additional Membership Screening (e.g. those 'Gone away', etc) and extra Brodies spend.

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

	Notes	Full Year Budget 2023/24 £'000	Budget to 30/09/23 £'000	Actual Spend to 30/09/23 £'000	Accrual to 30/09/23 £'000	Amended Spend to 30/09/23 £'000	Over or (Under) to 30/09/23 £'000	Proj Annual Spend 2023/24 £'000	Proj Over or (Under) Spend 2023/24 £'000
Investment Staff Costs		268	134	59	74	133	(1)	274	6
Pension Fund Committee		10	5	0	5	5	0	10	0
Pension Board		5	3	2	1	3	0	5	0
External Audit Fee		53	27	0	26	26	(1)	53	0
Internal Audit Fee		12	6	0	6	6	0	12	0
Actuarial Fees		500	250	191	55	246	(4)	491	(9)
General Expenses		271	135	113	62	175	40	281	10
Oversight & Governance Expenses Total		1,119	560	365	229	594	34	1,126	7

Note (Spend Variance \pm 5%):

5. Forecast and Projected Spend for NESPF Investment Management Expenses

	Notes	Full Year Forecast 2023/24	Forecast to 30/09/23	Actual Spend to 30/09/23	Accrual to 30/09/23	Amended Spend to 30/09/23	Over or (Under) to 30/09/23	Proj Annual Spend 2023/24	Proj Over or (Under) Spend 2023/24
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Investment Management		12,722	6,361	905	5,475	6,380	19	12,759	37
Performance Fees		5,150	2,575	7	2,575	2,582	7	5,158	8
Direct Property Expenses	1	862	431	395	0	395	(36)	790	(72)
Transaction Costs	2	1,001	500	269	0	269	(231)	538	(463)
Custody Fees		151	76	5	73	78	2	152	1
Investment Management Expenses Total		19,886	9,943	1,581	8,123	9,704	(239)	19,397	(489)

Note (Spend \pm 5%):

1. Underspend – Reduction of Overhead Costs.
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 2023 to 30 September 2023

	Commission (£)	Expenses (£)	Tax (£)	Total (£)
Equities	110,268.46	21,355.44	137,234.59	268,858.49
Pooled – Unit Trust	0.00	8.24	0.00	8.24
Grand Total (£)	110,268.46	21,363.68	137,234.59	268,866.73