

Pensions Committee

27 September 2023

Report title	Budget Monitoring and Quarterly Accounts to 30 June 2023	
Originating service	Pension Services	
Accountable employee	Christopher Manning Email	Head of Finance christopher.manning@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Email	Executive Director of Pensions rachel.brothwood@wolverhampton.gov.uk

Recommendations for action:

The Pensions Committee is asked to note:

1. The value of the net assets of the West Midlands Pension Fund at the end of the first quarter of the financial year, ended 30 June 2023, was £19.6 billion (£19.5 billion net investment assets).
2. As at the 30 June 2023, West Midlands Pension Fund forecast an underspend of £66,000 at the year-end attributable to an underspend on operational costs. Forecast investment management expenses remain in line with the approved budget at this time, reflecting asset values in line with budget assumptions.

1.0 Purpose

- 1.1 The purpose of this report is to update the Pensions Committee on the outturn at the end of the first quarter of the financial year ending 31 March 2024 and to provide an update on the value of the net assets of the West Midlands Pension Fund at the end of the same quarter (June 2023).
- 1.2 The operating budget for the year ending 31 March 2024 was approved by Committee in March 2023.

2.0 Forecast Out-turn Against Operating Budget 2023/24

- 2.1 The following table sets out the year end forecast outturn for the year ending 31 March 2024 as at the 30 June 2023, compared with the Fund's full year operating budget:

	Actual 2022/23	Budget 2023/24	Forecast 2023/24	Variance Out-turn
	£000	£000	£000	£000
Miscellaneous Income	(522)	(681)	(681)	-
Total Operational Income	(522)	(681)	(681)	-
Employees	9,260	12,773	12,749	(24)
Professional Fees	1,872	1,921	1,888	(33)
Service Development	1,495	1,653	1,643	(10)
Communications and Computing	829	924	924	
Premises	593	757	757	
Support Services	705	860	860	
Other Supplies and Services	429	746	747	1
Transport	36	47	47	-
Total Operational Expenditure	15,219	19,681	19,615	(66)
Net Operational Expenditure	14,697	19,000	18,934	(66)
External Investment Management Costs	90,404	97,558	97,558	-
LGPS Central Charges	5,047	6,181	6,181	-
Total External Investment Costs	95,451	103,739	103,739	-
Total Management Expenditure	110,148	122,739	122,673	(66)

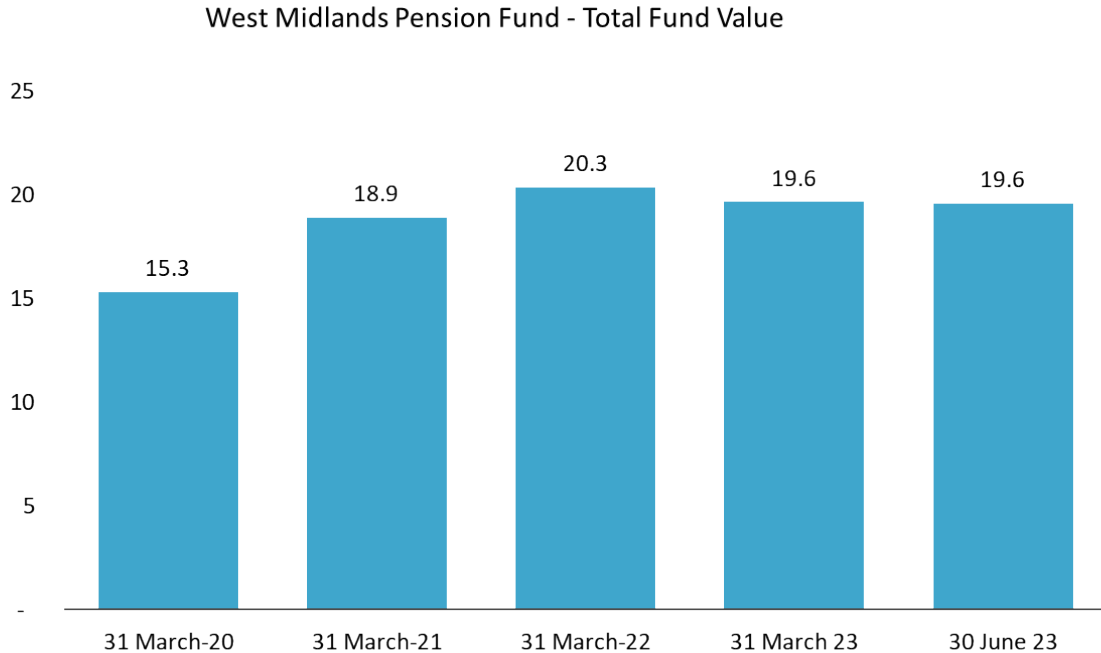
- 2.2 Forecasts are made using a combination of reviewing spend to date and considering known plans and priorities for the remainder of the financial year. At this early stage in the reporting cycle it is anticipated that there will be a small underspend on employees (£24,000) reflecting known staffing movements, predominantly within the Finance function where permanent appointments have been made, replacing temporary support.
- 2.3 In addition to the expected underspend on employees the Fund has received backdated funding (of £39,000) for the two previous financial years to support the increased external

audit fees resulting from the expansion of the audit remit in recent years. This funding was not received until after previous year's accounts had been finalised and is therefore included within the accounts for 2023/24.

- 2.4 In monitoring the year to date operational spend against budget, the Fund has noted additional underspends against budget. These are partially driven by the timing of confirming pay rates for 2023/24 as well as the ongoing challenges around recruitment to new and existing positions within the budget due to low levels of unemployment across the country and the specialist nature of many of the roles within the Fund. The Fund is monitoring these underspends and actively working to reallocate resources to further support the implementation of the Pension Administration System transition and support the achievement of the wider Corporate Plan. Forecasts will be updated throughout the year to reflect the sourcing, allocation and use of resources.
- 2.5 The forecast for investment management expenses remains in-line with the budget reflecting asset valuations that remain reflective of those used for budget purposes. Investment management costs remain heavily influenced by market movements and investment performance and will therefore fluctuate during the year and year-on-year. The Fund will continue to monitor these during the year and take a transparent approach to reporting investment management costs, particularly transaction costs associated with turnover within individual portfolios that are captured in the Cost Transparency Initiative (CTI) data collection and benchmarking each year, with the outcomes of these activities reported to Pensions Committee as they become available.
- 2.6 Investment costs remain a key component throughout the Fund's investment decision making as part of the Value for Money considerations, this will be particularly important as the Fund implements the Investment Strategy changes approved by Committee in March 2023.

3.0 Net Assets – West Midlands Pension Fund

3.1 The chart below provides a summary of the Net Assets Statement as at 30 June 2023.



3.2 The Net Assets Statement estimates a value of £19.6 billion for the Fund at 30 June 2023 (£19.6 billion at 31 March 2023). This represents a static position since 31 March 2023 reflecting stable investment asset values over the period and pension contributions and payments in line with expectations.

4.0 Financial Implications

4.1 The financial implications are discussed in the body of the report.

5.0 Legal Implications

5.1 The report contains no direct legal implications for the authority.

6.0 Equalities Implications

6.1 This report has no equalities implications.

7.0 Other Implications

7.1 There are no other implications.

8.0 Schedule of Background Papers

8.1 Operating Budget 2023/24 and 5 year Financial Plan, Report to Pensions Committee, 22 March 2023:

This report is PUBLIC

[Operating Budget 2023 and 5-year Financial Plan.pdf \(moderngov.co.uk\)](#)

9.0 Schedule of Appendices

9.1 Appendix A – West Midlands Pension Fund Quarterly Accounts 30 June 2023