

Report title	Budget Monitoring and Quarterly Accounts to 30 September 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 second quarter of the financial year, ended 30 September 2023, was £19.6 billion (£19.5 billion net investment assets).
2. As at the 30 September 2023, West Midlands Pension Fund forecast an underspend of £4.3 million at the year-end attributable to £2.0 million underspend on operational costs and £2.3 million underspend on investment management costs. Operational underspends primarily relate to employee costs. Forecast investment management expenses reflect that whilst the value of investments remains in line with the original budget, asset movements as part of the implementation of the strategic investment plan are expected to positively impact fees during the initial transition period.

1.0 Purpose

- 1.1 The purpose of this report is to update the Pensions Committee on the outturn at the end of the second 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 (September 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 September 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)	(581)	100
Total Operational Income	(522)	(681)	(581)	-
Employees	9,260	12,773	11,043	(1,730)
Professional Fees	1,872	1,921	1,883	(38)
Service Development	1,495	1,653	1,385	(268)
Communications and Computing	829	924	877	(47)
Premises	593	757	786	29
Support Services	705	860	860	-
Other Supplies and Services	429	746	720	1
Transport	36	47	32	(15)
Total Operational Expenditure	15,219	19,681	17,586	(2,095)
Net Operational Expenditure	14,697	19,000	17,005	(1,995)
External Investment Management Costs	90,404	97,558	95,732	(1,826)
LGPS Central Charges	5,047	6,181	5,721	(460)
Total External Investment Costs	95,451	103,739	101,453	(2,286)
Total Management Expenditure	110,148	122,739	118,458	(4,281)

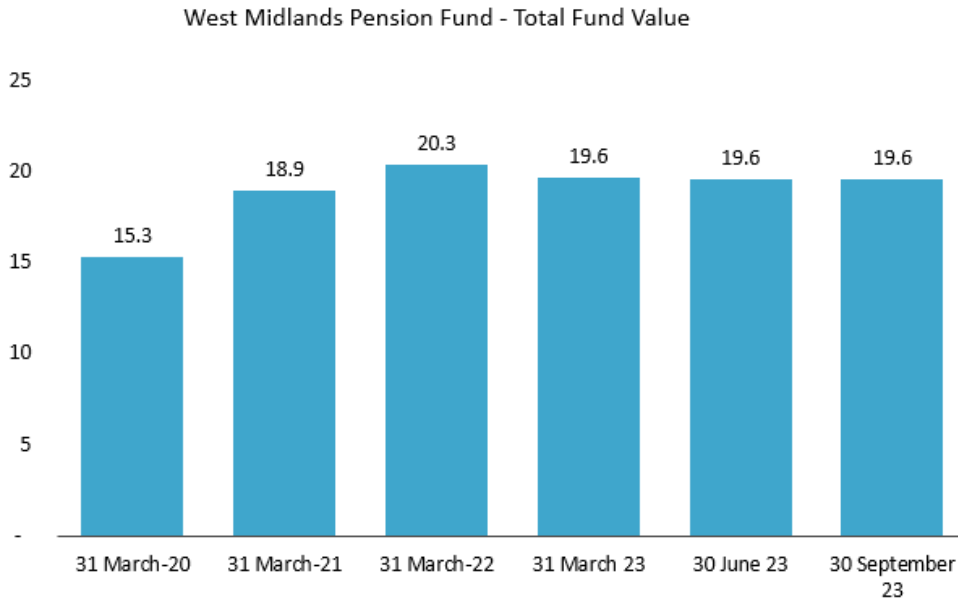
- 2.2 Forecasts are made using a combination of reviewing spend to date and considering known plans and priorities for the remainder of the financial year. At the 6-month stage in the reporting cycle it is anticipated that there will be an underspend on employees (£1.7 million) reflecting vacancies and known staffing movements.
- 2.3 In monitoring the year to date operational spend against budget to date the Fund has noted additional underspends against budget. These are partially driven by the timing of confirming the annual pay award for 2023/24 (with pay rates only confirmed in November

2023), as well as the ongoing challenges around recruitment to new and existing positions within the budget. This is due to low levels of unemployment across the country and the specialist nature of many of the roles within the Fund, as well as the delay in agreement to pay rates. In a report to the most recent Audit and Risk Committee within City of Wolverhampton Council, the West Midlands Pension Fund was identified as having one of the highest recruitment rates across the Council, despite this headcount has remained static over the last 12 months with new posts remaining vacant due to the recruitment challenges. The development of Fund resource is discussed in a separate paper to this Committee meeting.

- 2.4 The Fund is monitoring these underspends and actively working to reallocate resources to further support the implementation of the Pension Administration System and support the achievement of the wider Corporate Plan. Forecasts will be updated throughout the year to reflect the use of resources and are expected to result in a reduced underspend by the year end, at this time.
- 2.5 Alongside the underspend against employee costs the Fund has reprioritised some of its Service Development projects to maintain focus on the Pension Administration System implementation, but also in response to changing legislative deadlines, for example the rescheduling at national level for the implementation of pension dashboards. These changes result in a forecast underspend during the year of £268,000 however many of these costs will now be incurred in future years.
- 2.6 As previously noted, savings in Professional Fees relate to the additional funding the Fund has received backdated funding 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 years accounts had been finalised and is therefore included within the accounts for 2023/24.
- 2.7 The forecast for investment management expenses has been updated to reflect the holdings during the period with a higher level of assets held in cash during the period as part of the process of transitioning to the new investment strategy position, however overall asset values remain in line with the budget. Investment management costs are by their nature heavily influenced by market movements and investment performance and will therefore fluctuate during the year. The Fund continues 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. The outcome of these benchmarking activities is reported to Pensions Committee as they become available.
- 2.8 Investment costs remain a key component throughout the Fund's investment decision making as part of Value for Money considerations, this is particularly important as the Fund continues to implement 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 September 2023.



3.2 The Net Assets Statement estimates a value of £19.6 billion for the Fund at 30 September 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

This report is PUBLIC

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

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

9.0 Schedule of Appendices

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