

Pensions Committee

20 March 2024

Report title	Budget Monitoring 2023-24 and Quarterly Accounts to 31 December 2023	
Originating service	Pension Services	
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Report to be/has been considered by	Rachel Brothwood Email	Executive Director of Pensions rachel.brothwood@wolverhampton.gov.uk

Recommendations for noting:

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 third quarter of the financial year, ended 31 December 2023 was £20.4 billion (£20.5 billion net investment assets).
2. As at the 31 December 2023, West Midlands Pension Fund forecast an underspend of £2.4 million at the year-end attributable to £3.4 million underspend relative to budgeted operational costs and £1.0 million overspend relative to budgeted investment management costs. Operational underspends primarily relate to employee costs. Forecast investment management expenses reflect the change in value of investments during the year.

1.0 Purpose

- 1.1 The purpose of this report is to update the Pensions Committee on the outturn at the end of the third 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 (December 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 31 December 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)	(740)	(59)
Total Operational Income	(522)	(681)	(740)	(59)
Employees	9,260	12,773	10,761	(2,012)
Professional Fees	1,872	1,921	1,591	(330)
Service Development	1,495	1,653	990	(663)
Communications and Computing	829	924	905	(19)
Premises	593	757	755	(2)
Support Services	705	860	860	-
Other Supplies and Services	429	746	402	(344)
Transport	36	47	14	(33)
Total Operational Expenditure	15,219	19,681	16,278	(3,403)
Net Operational Expenditure	14,697	19,000	15,538	(3,462)
External Investment Management Costs	90,404	97,558	99,349	1,791
LGPS Central Charges	5,047	6,181	5,448	(733)
Total External Investment Costs	95,451	103,739	104,837	1,058
Total Management Expenditure	110,148	122,739	120,375	(2,404)

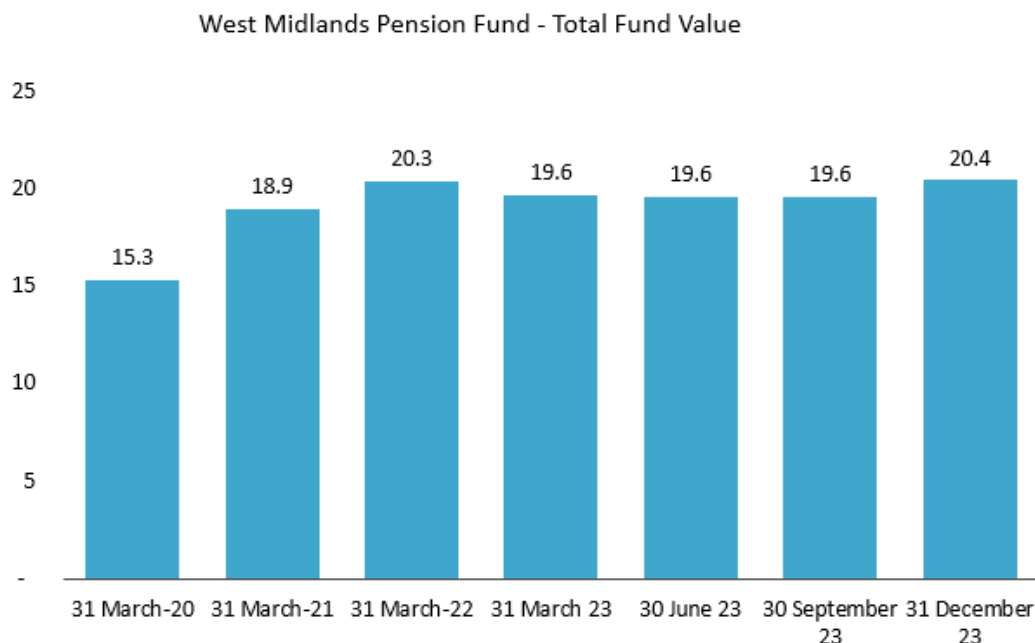
- 2.2 Forecasts are made using a combination of reviewing spend to date and considering known plans and priorities for the remainder of the financial year. At the 9-month stage in the reporting cycle it is anticipated that there will be an underspend on employees (£2.0 million) reflecting vacancies and known staffing movements.
- 2.3 The underspend on employees is due to the specialist nature of many of the roles within the Fund and low levels of unemployment across the country which are impacting on the Fund's ability to recruit and retain staff. Despite the Fund having one of the highest

recruitment rates across the Council, the headcount has remained static over the last 12 months with new posts remaining vacant due to these recruitment challenges. The development of Fund resource is discussed in a separate paper to this Committee meeting.

- 2.4 The Fund continues to monitor the underspends and has worked to reallocate resources to further support the implementation of the Pension Administration System, (with additional agency pension administration resource joining the Fund) and support the achievement of the wider Corporate Plan.
- 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. Other areas of service development have been managed without incurring the budgeted costs which have resulted in an increase to the forecast underspend in this area since the last report.
- 2.6 Savings in Professional Fees relate to a lower requirement for some professional services, for example legal support, than budgeted. This is a result of the variable nature of some support needed within the Fund year on year and budgeting reflects a prudent approach considering historic requirements as well as future plans. The additional central government funding the Fund previously reported (backdated for the two previous financial years to support the increased external audit fees resulting from the expansion of the audit remit in recent years) has been offset by the significant increase in audit fees for 2023/24 audit compared to budget.
- 2.7 The forecast for investment management expenses has been updated to reflect the change in value in investment assets over the period, showing an increase above the asset value used for budgeting purposes. 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 used in the statement accounts and annual report, with annual benchmarking relative to peers to inform value for money testing. The outcome of these benchmarking activities are reported to Pensions Committee each year.
- 2.8 Investment costs remain a key consideration within the Fund's investment decision making. The outlook and trend is being monitored 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 31 December 2023.



3.2 The Net Assets Statement estimates a value of £20.4 billion for the Fund at 31 December 2023 (£19.6 billion at 31 March 2023). This represents growth since 31 March 2023 reflecting an increase in 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 \(moderngov.co.uk\)](#)

9.0 Schedule of Appendices

9.1 Appendix A – West Midlands Pension Fund Quarterly Accounts 31 December 2023