

Pensions Committee

5 September 2018

Report title	Budget Monitoring 2018/19 and Quarterly Accounts June 2018	
Originating service	Pension Services	
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Recommendations for noting:

The Committee is asked to note:

1. The quarterly accounts for West Midlands ITA Pension Fund for the period ending 30 June 2018 which show that:
 - the value of West Midlands ITA Pension Fund at this date was £497 million, an increase of £5 million from 31 March 2018.
2. West Midlands Pension Fund outturn against operating budgets as at the end of June 2018 is an under spend of £1.04 million primarily attributable to lower external investment management costs.
3. The quarterly accounts for West Midlands Pension Fund for the period ending 30 June 2018 are still in the process of being prepared. It is anticipated these will be available for circulation at Committee.

1.0 Purpose

- 1.1 The purpose of this report is to update the Committee on the forecast outturn for the year against operating budgets and quarterly accounts as at the end of June 2018.
- 1.2 The operating budget was approved by the Committee on 21 March 2018.

2.0 Forecast Outturn against Operating Budget 2018/19

- 2.1 The following table sets out the forecast outturn compared with the Fund's operating budget as at the end of the first quarter:

	2017/18 Actual £000	2018/19 Budget £000	2018/19 Forecast £000	Forecast variance £000
Employees	5,579	5,527	5,527	-
Premises	382	221	207	(14)
Transport	65	65	34	(31)
Other Supplies and Services	430	1,177	1,202	25
Professional Fees	1,801	1,171	933	(238)
Communications and Computing	665	534	558	24
Support Services	508	544	544	-
Miscellaneous Income	(810)	(180)	(26)	154
Net Expenditure	8,620	9,059	8,979	(80)
External Investment Management Costs	58,900	65,201	64,243	(958)
LGPS Central Charges	-	4,425	4,425	-
Total	67,520	78,685	77,647	(1,038)
Funded by:				
West Midlands Pension Fund	66,770	77,935	76,897	(1,038)
West Midlands ITA Pension Fund	750	750	750	-
Net Budget	67,520	78,685	77,647	(1,038)

- 2.2 Forecasts have been made using a combination of reviewing spend to date and considering plans for the remainder of the financial year. A prudent approach has been taken in forecasting the cost of those plans and the figures set out above are therefore likely to be subject to change by year end. At this stage of the year, the Fund is holding a forecast of an unchanged budget for staffing. It is recognised that there is likely to be an underspend primarily due to delays in recruiting to vacant posts, however, this is offset by the additional resourcing requirements including an interim finance and admin team meaning that the forecast for staffing spend is being kept constant to allow for the temporary resources to meet immediate needs. It is also recognised that in order to deliver the desired service development and ensure resilience in delivery, for an increasing employer and member base and with additional governance and oversight, the actual staffing budget may need to increase over the original budget estimate during

the year. The Committee will note that there is a separate exempt paper on the structure of the Fund and Service Development.

- 2.3 As at the end of June 2018, external investment management costs are forecast to be £0.96 million under budget reflecting the on-going work to streamline portfolio management arrangements and focus on reducing external investment management costs. However, since these are heavily influenced by market movements and investment performance, this is particularly subject to change during the remainder of the year.
- 2.4 The majority of investment management costs and fees and other costs are deducted at source by fund managers, total external investment management costs for the main fund are forecast to be £68.7 million, as follows:

	Actual 2017/18 £'000	Forecast 2018/19 £'000
External Costs:		
- Invoiced	11,424	13,619
- Deducted at Source	44,643	50,624
- LGPS Central		4,425
Total External Investment Management Costs	56,067	68,668
Internal Investment Management Costs	2,833	2,271
Total Investment Management Costs	58,900	70,939

- 2.5 Cost-per-member is a critical measure for the Fund of its cost-effectiveness. The following table sets out the forecast cost-per-member compared to budget using the three standard headings specified by CIPFA: administration, oversight and governance, and investment management. These figures are stated for West Midlands Pension Fund only reflecting the £150,000 recharge to the ITA Fund. The forecast cost-per-member is lower than budgeted for each of the three headings, but it is recognised that this is subject to change and with additional work required in advance of the actuarial valuation along with data cleansing, the final outturn may not show a reduction on budget numbers. Work is currently underway to refine the resourcing requirements for the remainder of the year:

	2017/18 Actual	2018/19 Budget*	2018/19 Forecast**
Total Administration Costs (£000)	3,826	4,964	4,884
Administration Cost per Member (£)	12.21	15.84	15.38
Total Oversight and Governance Costs (£000)	2,776	3,345	3,345
Oversight and Governance Cost per Member (£)	8.86	10.68	10.54
Number of Members	313,399	313,399	317,481
Total Administration, Oversight and Governance cost per Member (£)	21.07	26.52	25.92
Total Investment Management Costs (£000)	58,900	69,626	68,668
Investment Management Cost per Member (£)	187.94	223.70	216.29
Investment Management Costs as a Percentage of Forecast Net Assets	0.39%	0.43%	0.37%

* As at 31 March 2018

** As at 30 June 2018

2.6 The Fund, like all public-sector bodies, continues to be cost-conscious and keeps its operating costs and procedures under continuous review.

3.0 Quarterly Accounts – West Midlands Pension Fund

3.1 At the time of writing, the quarterly accounts are still being prepared but will be tabled at the meeting. This is due to work taking place on the audit of the final accounts for 2017/18 and some delays in receiving full information for inclusion in the quarterly accounts.

3.2 The estimated value of the Fund at the 30th June was £15.6 billion, an increase of £0.2 billion on the 31st March valuation.

4.0 Quarterly Accounts – West Midlands ITA Pension Fund

4.1 Appendix A provides a Fund Account for the quarter ended 30 June 2018 and a Net Assets Statement as at that date.

4.2 The Net Assets Statement provides a value for the Fund at 30 June 2018 of £497 million. This is an increase of £5 million from the 30 June 2017 value.

4.3 The main reason for the increase in the value of the Fund for the year so far is gains in the value of investment assets (£4.9 million).

5.0 Financial implications

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

6.0 Legal implications

6.1 This report contains no direct legal implications for the authority.

7.0 Equalities implications

7.1 This report has no equalities implications.

8.0 Environmental implications

8.1 This report has no environmental implications.

9.0 Human resources implications

9.1 The report has no human resources implications.

10.0 Corporate landlord implications

10.1 This report has no corporate landlord implications.

11.0 Schedule of Appendices

11.1 Appendix A – West Midlands ITA Pension Fund Quarterly Accounts 30 June 2018.