

# **SOUTH YORKSHIRE PENSIONS AUTHORITY**

**3 December 2015**

## **Report of the Treasurer**

### **REVENUE ESTIMATES 2016/17 – ADMINISTRATION AND INVESTMENT MANAGEMENT EXPENSES**

#### **1 Matter for consideration**

To consider the Authority's draft revenue estimates for 2016/17 in respect of administration and investment management expenses, in the context of the continuing financial constraints facing public services, and to approve the levy under the Levying Bodies (General) Regulations 1992.

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#### **2 Recommendations**

**Members are asked to:**

- (i) Approve the revised estimates for 2015/16 in the sum of £6,120,000**
  - (ii) Approve a levy of £504,000 for 2016/17 in accordance with The Levying Bodies (General) Regulations 1992.**
  - (iii) Note the preliminary forecasts for 2016/17, and refer the estimates to the District councils for comment.**
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### **STRATEGIC PLANNING**

#### **3 Background**

- 3.1 The Pension Fund's administration and investment management costs do not fall directly on Council Tax. Expenses are met out of the Fund, in accordance with the Regulations. Administration expenses are recovered by means of a % addition to employers' contribution rates. (at the 2013 valuation, this has been estimated at 0.4% of Pensionable Pay). This is reassessed at each valuation. Investment expenses are allowed for implicitly in determining the discount rates.
- 3.2 One of the Authority's key strategic objectives is to operate cost effectively. The management of most of the investment portfolios "in house" means that South Yorkshire's costs in this area will be lower than most other funds. Published statistics on administration costs per pensioner show the Authority falls significantly below the average for LGPS funds.
- 3.3 This does not absolve the Authority from maintaining its focus on reducing management and administration costs and demonstrating to employers that it is making a contribution to the need to cut local spending levels.
- 3.4 In the long run, the Authority can assist employers to cut budget requirements in two ways. Firstly, by increasing investment returns. This is considered as part of the asset

and liability review. Secondly, by cutting management and administration costs without this impeding the first. This is the subject of this report.

- 3.5 Since 2010 local councils have been implementing substantial cuts of more than 25% and this pressure on local councils is still continuing.

The Authority has always strived to manage the Fund within the budgetary constraints imposed and, as shown in the table below, has consistently achieved underspends over the last few years.

Although the Authority has built up a reserve of around 3% of budget the resulting savings have meant a smaller charge to the Fund each year.

For 2015/16 an increase in base budget was approved as the only other option would have been to cut resources.

The revised figures for 2015/16 actually forecast a reduction of the 2015/16 budget and eliminate the need to use the reserves.

It is important to look at the net controllable budget as this takes out expenses which are linked to fund market value.

Year	Original Budget £	Revised Budget £	Actual outturn £	Variation £
2010/11	5,808,750	5,796,350	5,369,973	-426,377
2011/12	5,685,700	5,176,000	4,957,594	-218,406
2012/13	5,340,700	5,242,800	5,102,237 (net of 138,285 actuarial fees charged to the fund)	-140,563
2013/14	5,417,900 (using 60,200 of reserves to maintain 2012/13 controllable budget level of 4,407,700)	5,381,200 (using 23,500 of reserves to maintain 2012/13 controllable budget level of 4,407,700)	5,297,280 (net of 138,504 actuarial fees charged to the fund) No reserves used	-83,920
2014/15	5,433,600 (using 45,900 of reserves to maintain 2012/13 controllable budget level of 4,407,700)	5,436,800 (using 34,100 of reserves to maintain 2012/13 controllable budget level of 4,407,700)	5,237,554 (net of 92,537 actuarial fees charged to the fund) No reserves used	-199,246
2015/16	5,760,900 (using 50,000 of reserves to give a net controllable budget level of 4,630,900)	6,120,000 (not using any reserves to give a net controllable budget level of 4,560,000)		

- 3.6 The current climate around pensions continues to be a turbulent one:

The introduction of CARE to the LGPS has added a new layer of complexity to the scheme which although fully operational continues to challenge members, employers

and pension funds alike. In particular member communications are much more complex and time consuming as we strive to make an already difficult subject easy to understand.

Workload continues to be high and we are still being required to perform bulk redundancy quotations for employers taking cost saving measures. The number of cases processed overall is down slightly from last year but we have also been hampered by the implementation of our new pensions administration system which has caused backlogs, delays and a reduction in our overall performance rating. We are steadily coming out of this difficult period but there is still work to be done before we are back to normal.

SYPA continues to participate in the CIPFA LGPS benchmarking club and 14/15 our total cost was £17.86 per member which compares favourably against the average of £19.17 per member.

The South Yorkshire Local Pension Board is now operational and has held its first two meetings.

At the same time all LGPS funds are under pressure to cut Investment Management costs and to look at joint working to achieve this. Of course, as one of the funds with the lowest Investment management costs already, reducing costs is not going to be easy and in all honesty is unlikely to be achieved.

#### 4 **Preliminary financial forecasts**

This report sets out the detailed revenue estimates on a 'continuation of service' basis for 2016/17 for administration and investment management expenses together with a probable outturn for 2015/16.

The Authority is also asked to approve the levy for 2016/17 in respect of expenditure which is not borne by the Pension Fund (detailed in Appendix D).

The following are attached in support of the above:-

Appendix A - summary of the revised 2015/16 estimates and 2016/17 estimates

Appendix B - variation statement showing main changes for 2015/16 probable outturn

Appendix C - variation statement showing main changes for 2016/17 estimate

Appendix D - statement of recharges to District Councils and levy for 2016/17

##### 4.1 **Original Budget 2015/16**

The original budget for 2015/16 was approved in January 2015 at £5,710,900 net, using £50,000 from reserves.

Last year a revision of the market supplement paid to Principal Investment Managers was agreed. The need to review was triggered by peer group funds advertising equivalent posts at markedly higher salary levels and in order to retain staff it was necessary to bring SYPA grades into line with competitors. The improved grades are at the lower end of the peer group.

The review also highlighted the fact that the senior management team had not been subject to a salary review for a number of years. Other staff were reviewed in 2008 and it

was originally intended that management would be reviewed after that process was completed. However, the review never took place. In light of the management changes that have occurred since, with the retirement of the Clerk and Treasurer and subsequent transfer of some, but not all, of the responsibilities to other officers, it was agreed that honoraria payments were made until a full review had been completed. That review has now been completed and a separate report is presented to today's meeting.

The budget figures presented in this report include the new senior management grades and assume those having been implemented at the start of 2015/16.

The need to formalise these salaries is more pertinent with the impending retirement of the Fund Director and the need to recruit his replacement.

The management of the Fund and the provision of high quality service to members is key to the Authority. As already stated the Authority is amongst the lowest in terms of cost per member for administration and amongst the highest in terms of levels of service. The fund has also outperformed its benchmark consistently. The fund is currently valued at over £6billion. The following table shows the outperformance in cash terms.

<b>Period</b>	<b>Actual return</b>	<b>Benchmark return</b>	<b>Extra value added</b>	<b>Extra value in cash terms</b>	<b>Cash value added over 10 years</b>
10 years to March 2015	8.6%	8.5%	0.1%	£5.67m per annum	<b>£56.75m</b>

This shows that the management of the fund (almost entirely in-house) has given an outperformance of what equates to 0.1% per annum over the last 10 years. In cash terms this is £56.75million on top of the benchmark return during that period.

The relative return against the benchmark over the 10 year period means that the Authority remains in the 13<sup>th</sup> percentile of fund returns ie the total fund return was better than 77 out of the 89 local authority funds over the 10 year period.

#### 4.2 Probable Outturn

The revised estimates for 2015/16 show a bottom line (net controllable budget) reduction of £70,900 after allowing for no use of reserves.

The main variations are shown in Appendix B and it can be seen that savings have been made across a number of budget heads.

The savings coming mainly from turnover, the PIM vacancy, the reduced costs of central services previously provided by SYJS and now provided either directly by the Authority or by BMBC. There is also an increase in income for providing IT facilities to some BMBC staff and to the Police Commissioner, we had previously reduced these figures as we had anticipated loss of these clients.

As mentioned in 4.1 the management structure review has also been included in these figures.

There is a significant increase in Investment management expenses due to the appointment of the external manager for some of the Bond portfolios and the increase in the value of the property portfolio, these expenses are linked to market values and so are not included in the net controllable budget.

## 5 Developments during 2015/16

- 5.1 The Authority is always actively looking for efficiency savings. These are mainly in the areas of postage, printing and IT. The Head of Pensions Administration continues to drive forward the greater use of electronic communication with Fund members and employers where appropriate. This has been a long, steady process and has already helped to cut costs in printing and postage over the last few years.
- 5.2 As mentioned in 3.6 the new LGPS scheme came into effect on 1<sup>st</sup> April 2014 and this has added complexities to the Authority workload in a number of areas in trying to manage the effects of 3 schemes and adjust to the new CARE calculations.
- 5.3 The number of employers within the Fund continues to increase and now stands at 419 compared to just under 150 in 2010. The task of informing employers of the contributions due from them and collecting those contributions is becoming a much more complex and time consuming task.
- 5.4 The new pensions administration system has now been in place for a year. Bedding down this system has been a complex process and has required major resource across many parts of the Authority. The new system is expected to produce a substantial saving on system costs from 2015/16 onwards. Costs associated with this were reported to the October Authority meeting.
- 5.5 As mentioned in 4.1 there has been a review of the management structure This is the subject of a separate report at today's meeting.  
The full effect of the review has been included in the figures for the full year 2015/16 and 2016/17.

### 5.6 Actuarial fees

As more and more schools are taking academy status the number of employers in the Fund is increasing significantly. The actuarial costs related to incoming academies are borne immediately by the Authority and then recharged to the academy via the deficit calculation. This results in a skew in actuarial fees spent by the Authority. The figures in this report only include genuine actuarial costs incurred by the Authority. For information purposes Appendix A shows the amount that is estimated to be spent in respect of academies (and subsequently recharged via the deficit) for 2015/16 and 2016/17 separately. We have estimated this at £95,000 but it is totally dependent on the number of new academies joining the fund..

Actuarial fees are really difficult to predict and control as the bulk are dependent on requests from employers and changes within the scheme – all fees are recharged wherever this is possible.

### 5.7 SYJS

As members are aware the South Yorkshire Joint Secretariat (SYJS) has now been dissolved and on the whole the functions are being transferred to Barnsley MBC. However the service has appointed it's own HR advisor and some functions have been absorbed. This has resulted in a reduction of central service costs as a whole.

### 5.8 IT

The Authority currently provides a network to some BMBC staff situated in Regent Street and to the Office of the Police and Crime Commissioner. When we put budgets forward last year we thought we would lose these clients in their entirety, however they have

remained and therefore we have achieved higher income from these fees than originally anticipated.

As the Authority's IT systems are innovative and well received in the local authority pensions administration arena we are hopeful that more income can be generated from gaining more external clients for these systems.

## **6 Budget Assumptions**

- 6.1 The initial planning guideline for 2016/17 was a 'continuation of service' budget based on maintaining current levels of service. We have allowed for a 1% increase in pay and have actually not included any inflation other than this. Some suppliers have indicated higher than inflation rises in costs but we intend to absorb these as much as possible.

No allowance has been made within the budget for developments or improvements in service.

- 6.2 The budget for 2016/17 to maintain the current level of service is shown in Appendix A at £6,336,800 against the base 2015/16 budget of £5,760,900. When this is adjusted for the investment costs linked to market value the net controllable budget is £4,726,800 against a base of £4,680,900; this represents a net increase of 0.9%.

This is an increase of £575,900 on the overall budget. It should be noted though that £530,000 is an increase in costs linked to market value and as such is an uncontrollable increase.

Appendix C shows the main variations.

The biggest increase is in employee costs, including the pay award, the revised management structure and an increase in pension contributions.

As mentioned in 5.7 further reductions have been made to the cost of central services. Extra income is being generated by IT servicing clients on the IT network.

Most other budget heads have been held at cash for a number of years now which in real terms equates to a reduction in budget.

As other costs are held and savings are made where possible it leaves over 66% of the Authority controllable budget as employee costs.

- 6.3 As can be seen at paragraph 3.5 the Authority has consistently managed to underspend its annual budget. This has enabled a small Contingency Reserve to be established for the purpose of 'smoothing' cost impacts as far as possible. The budget for 2015/16 was approved including utilisation of this Reserve in order to maintain a cash standstill position. The revised position shows that we shouldn't need to use reserves at all in 2015/16. This would leave the Contingency Reserve at a level of around £185,000. Reducing the impact of the changes in 2016/17 would require using around £50,000 of the reserve. This would leave the Authority with a reserve of £135,000 and in a position to absorb any costs associated with future workload uncertainties and/or other unforeseen cost pressures. Although this would leave the reserve at around 2.1% rather than the 3% previously maintained it would be prudent to utilise it now.

## **7 Developments over the next few years**

- 7.1 The number of employers in the Fund continues to grow and the resource needed to service them continues to grow.
- 7.2 The new LGPS scheme still needs to bed down over the next couple of years, along with the new Pensions Administration system so that we return to our excellent levels of service.
- 7.3 The government is still in the process of consulting on the future of the LGPS with talk of joint working and fund mergers. At the moment these are fairly uncertain times and it is impossible to forecast what may happen over the next couple of years.
- 7.4 The new Local Pensions Board made up of employer and scheme member representatives has been established..  
This new Pensions Board will incur additional costs for the Authority and this is the first year of seeing how this develops.

## **8 Implications of making further reductions in the budget**

- 8.1 The budget has been produced on a standstill basis. However, it would be useful to assess the implications of any further cuts in 2016/17, as a means of setting a base reference point.
- 8.2 It is important to relate the calculation to the controllable base budget figure. This should exclude all costs that are related to market values, to avoid misleading results (a big increase in investment values, which is obviously good for the Fund, will generate extra external management fees, and will make the administration costs budget appear overspent).  
Excluding external management and custodian fees would reduce the controllable total in 2015/16, and 2016/17.

To illustrate the impact of adjusting the figure to identify controllable costs, the savings targets under the simple one off reduction option would be as follows:

	<u>Total budget</u> <u>£000</u>	<u>Controllable budget</u> <u>£000</u>
2016/17 Base	6,337	4,727
1% reduction	63	47
2%	127	94
3%	190	142

- 8.3 In the past Members have indicated that the following assumptions should be made when addressing reductions in costs.
- Avoid cutting back on internal investment manager resources
  - Focus initially on non staff costs
  - Be aware of the likely increase in demand from employers
  - Ensure continuity of resources to meet future LGPS restructuring

## **9 Implications of potential reductions**

- 9.1 Even at the lower end of the scale, there are potential implications for service levels resulting from reductions in the budget guidelines. As Members are aware, most non-staff budgets have been cash limited in recent years as a way of reducing the annual increase. A high proportion of the Authority's budget is staff related (53% overall; 65% if investment management fees are excluded) and it is widely accepted that internal management is much cheaper than external management. A substantial proportion of the remainder is on professional fees, IT and communication costs, and accommodation. This means that budget reductions will inevitably impact on staffing levels at quite an early stage. The Authority is not carrying excess capacity; as a primarily in-house managed investment operation, staffing levels on the investment and investment accounting team are driven by the value of the Fund and South Yorkshire's costs are significantly lower than the average fund as a consequence. In addition, as noted earlier, the national benchmarking returns show Fund Administration costs in very favourable terms, which suggests that there are not major savings to be released without affecting the quality of service. The Authority continues to look for savings wherever they are possible.
- 9.2 Many areas of the budget are interlinking, and reductions in one area could have an adverse effect elsewhere. For example, cutting back on support costs within the Investment team could mean the Investment Managers having to pick up more "back office" functions. Similarly reductions in technical support, or communications and advisory services could mean not only reduced quality of service, but increased risk of errors occurring which would create extra demands in the longer term.
- 9.3 The budget forecasts have been put forward bearing all of these things in mind. Major savings have been identified in every area possible. Any further savings to be achieved would have to come from staffing. Members are asked to indicate whether they wish this specific area to be explored for further consideration as part of this budget round.

## **10 Other Implications**

- 10.1 Legal  
There are no legal implications.
- 10.2 Diversity  
There are no specific diversity implications.
- 10.3 Risk  
There are a number of possible risks for the Fund associated with the implementation of the new LGPS scheme: structural reform to contributions and benefits with implications for both the short and long term workloads of the Authority and contributing employers.

The Authority is the formal decision-making body for all matters regarding the LGPS and needs to be in a position to monitor and respond to changes that affect the working of the Scheme. There is an unquantifiable reputational risk associated with failing to do so.

**F Foster**  
**Treasurer**

**Officer responsible:** Bev Clarkson, Head of Finance, South Yorkshire Pensions Authority  
**Background papers** used in the preparation of this report are available for inspection at the South Yorkshire Pensions Authority.

**Other sources and references:** none



**APPENDIX A**

**SOUTH YORKSHIRE PENSIONS AUTHORITY**

**ADMINISTRATION AND INVESTMENT EXPENSES**

**REVENUE ESTIMATES 2016/17 AT OUTTURN PRICES**

**SUMMARY**

	2015-16 ORIGINAL ESTIMATE £	2015-16 PROBABLE OUTTURN £	2016-17 <b>ESTIMATE</b> £
ADMINISTRATION EXPENSES	3,006,600	2,902,100	2,995,100
INVESTMENT EXPENSES	<u>2,754,300</u>	<u>3,217,900</u>	<u>3,341,700</u>
	5,760,900	6,120,000	6,336,800
CONTINGENCIES	-50,000	-0	-50,000
<b>TOTAL EXPENDITURE REQUIREMENT</b>	<b>5,710,900</b>	<b>6,120,000</b>	<b>6,286,800</b>
INVESTMENT COSTS LINKED TO MARKET VALUES	1,080,000	1,560,000	1,610,000
NET CONTROLLABLE BUDGET	4,630,900	4,560,000	4,676,800
RECHARGED TO:			
FUND	5,536,900	5,946,000	6,111,800
SYPT PENSION FUND	174,000	174,000	175,000
	<b>5,710,900</b>	<b>6,120,000</b>	<b>6,286,800</b>
ACTUARIAL WORK CHARGED TO FUND	90,000	90,000	90,000
<b><u>MEMORANDUM ITEM</u></b>			
DISTRICT OFFICES			
Barnsley	100,800	97,100	100,900
Doncaster	111,800	99,800	111,900
Rotherham	84,800	82,300	84,600
Sheffield	118,300	111,100	117,600
	415,700	390,300	415,000

**SOUTH YORKSHIRE PENSIONS AUTHORITY**

**ADMINISTRATION EXPENSES**

**REVENUE ESTIMATES 2016/17 AT OUTTURN PRICES**

	2015-16 ORIGINAL ESTIMATE £	2015-16 PROBABLE OUTTURN £	2016-17 ESTIMATE £
<b>EXPENDITURE</b>			
<b>EMPLOYEES</b>			
Administration and Clerical	1,994,300	1,903,300	2,014,000
Training Expenses	14,000	14,000	14,000
Other Indirect Expenses	25,000	65,500	23,800
<b>PREMISES RELATED EXPENSES</b>			
Rents - Office Accommodation	146,000	146,000	146,000
<b>TRANSPORT RELATED EXPENSES</b>			
Public Transport	3,000	2,000	3,000
Car Allowances	7,000	5,000	7,000
<b>SUPPLIES AND SERVICES</b>			
Equipment, Furniture and Materials	13,900	13,900	13,900
Publications	200	200	200
Printing and Stationery	75,500	75,500	75,500
Communications and Computing			
Postages and Telephones	100,000	100,000	100,000
Computer Services	25,000	25,000	25,000
Imaging maintenance	12,000	10,000	2,000
AXIS / UPM	65,000	66,000	67,000
Subsistence and Conferences	2,200	2,200	2,200
Subscriptions	9,000	9,000	9,000
Actuarial Fees	90,000	90,000	90,000
Legal Services	2,000	2,000	2,000
Other Professional Fees	50,000	50,000	50,000
Miscellaneous Expenses	9,000	9,000	9,000
<b>CENTRAL EXPENSES</b>			
Central Services	270,500	230,000	250,000
IT Network	55,000	55,000	55,000
Insurances	27,000	27,000	30,000
Subscriptions	5,000	15,500	15,500
Audit Fee	45,000	45,000	45,000
Bank Charges	22,000	10,000	15,000
Democratic Representation	14,000	14,000	14,000
Member Training	5,000	5,000	5,000
Disaster Recovery	6,000	10,000	10,000
Local Pension Board	0	15,000	15,000
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<b>GROSS EXPENDITURE</b>	<b>3,092,600</b>	<b>3,015,100</b>	<b>3,108,100</b>
MISCELLANEOUS INCOME	86,000	113,000	113,000
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<b>NET EXPENDITURE</b>	<b>3,006,600</b>	<b>2,902,100</b>	<b>2,995,100</b>
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**SOUTH YORKSHIRE PENSIONS AUTHORITY**

**INVESTMENT GENERAL AND INVESTMENT MANAGEMENT EXPENSES**

**REVENUE ESTIMATES 2016/17 AT OUTTURN PRICES**

	2015-16 ORIGINAL ESTIMATE £	2015-16 PROBABLE OUTTURN £	2016-17 ESTIMATE £
<b>EXPENDITURE</b>			
<b>EMPLOYEES</b>			
Administration and Clerical	1,055,600	1,034,800	1,104,800
Training Expenses	4,100	4,000	4,000
Other Indirect Expenses	5,000	9,000	5,000
<b>PREMISES RELATED EXPENSES</b>			
Rents - Office Accommodation	45,000	45,000	45,000
<b>TRANSPORT RELATED EXPENSES</b>			
Public Transport	8,400	8,400	8,400
Car Allowances	3,500	3,500	3,500
<b>SUPPLIES AND SERVICES</b>			
Equipment, Furniture and Materials	7,000	7,000	7,000
Publications	4,400	4,400	4,400
Printing and Stationery	3,000	3,000	3,000
Communications and Computing			
Postage and Telephones	300	300	300
Computer Services	8,500	8,000	12,000
Subsistence and Conferences	1,500	1,500	1,500
Subscriptions	49,000	49,000	49,000
Actuarial Fees	20,000	20,000	20,000
Legal Fees	1,000	1,000	1,000
Other Professional Fees	35,000	35,000	35,000
Miscellaneous Expenses	2,000	2,000	2,000
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INVESTMENT GENERAL EXPENSES	1,253,300	1,235,900	1,305,900
<b><u>INVESTMENT MANAGEMENT EXPENSES</u></b>			
Internal Information Systems	322,700	322,700	325,500
Custodian & Other Investment Expenses	241,000	241,000	261,000
External Management Fees	937,300	1,418,300	1,449,300
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INVESTMENT MANAGEMENT EXPENSES	1,501,000	1,982,000	2,035,800
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<b>NET EXPENDITURE</b>	<b>2,754,300</b>	<b>3,217,900</b>	<b>3,341,700</b>
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**APPENDIX B**

**SOUTH YORKSHIRE PENSIONS AUTHORITY**  
**VARIATION STATEMENT**  
**REVISED ESTIMATE 2015/16**

	£	£
<b>1</b>	<b>Original Estimate 2015/16</b>	<b>5,760,900</b>
	<i>Main Variations</i>	
<b>2</b>	<b>Employee Costs</b>	
	New Principal Investment manager post not yet recruited	35,400 CR
	Overstated pay award for 15/16 in original calculations	16,200 CR
	Review of management structure	27,400
	Restructure for UPM specialist team	9,200 CR
	Cost of flexible retirement	43,700
	Additional overtime requirements	16,000
	Increased turnover including restricted cover for Maternity and working pattern changes	67,300 CR
	NI and super – less increase than anticipated	<u>24,500 CR</u>
		65,500 CR
<b>3</b>	<b>Transport related expenses</b>	
	Reduced expenses due to less visits out of office	<u>3,000 CR</u>
		3,000 CR
<b>4</b>	<b>Central Expenses</b>	
	Reduction of cost of central services due to negotiation of costs and some absorption of functions	40,500 CR
	Cost of Levy to new Scheme Advisory Board	10,500
	Increased cost of disaster recovery facility due to loss Of service requirement by SYJS	4,000
	Provisional budget for new Local Pensions Board	15,000
	Reduced bank charges	<u>12,000 CR</u>
		23,000 CR
<b>5</b>	<b>Miscellaneous Income</b>	
	Increase in income from IT network recharge due to maintained client base.	<u>25,000 CR</u>
		25,000 CR
<b>6</b>	<b>Investment Management Expenses</b>	
	Management fee for new external fund manager for Bond portfolio	340,000
	Increased property advisor fees due to increased property portfolio and market values	<u>140,000</u>
		480,000
<b>7</b>	<b>Other Minor Variations</b>	<u>4,400 CR</u>
<b>8</b>	<b>Revised Estimate 2015/16</b>	<b><u>6,120,000</u></b>

**SOUTH YORKSHIRE PENSIONS AUTHORITY**  
**VARIATION STATEMENT**  
**ESTIMATE 2016/17**

	£	£
<b>1</b>	<b>Original Estimate 2015/16</b>	<b>5,760,900</b>
	<i>Main Variations</i>	
<b>2</b>	<b>Employee Costs</b>	
	Increase in NI contributions	8,000
	Restructure for UPM specialist team	17,200 CR
	Minor working pattern changes	8,600
	Review of Management structure	27,400
	Increments and career grade progression	6,600
	Increase in pension contributions	<u>11,800</u>
		45,200
<b>3</b>	<b>Supplies and Services</b>	
	Reduced cost of imaging system (only used by Investments division now)	<u>7,000 CR</u>
		7,000 CR
<b>4</b>	<b>Central Expenses</b>	
	Reduction of cost of central services due to negotiation of costs and some absorption of functions	20,000 CR
	Cost of Levy to new Scheme Advisory Board	10,500
	Increased cost of disaster recovery facility due to loss Of service requirement by SYJS	4,000
	Provisional budget for new Local Pensions Board	15,000
	Reduced bank charges	<u>7,000 CR</u>
		2,500
<b>5</b>	<b>Miscellaneous Income</b>	
	Increase in income from IT network recharge due to maintained client base.	<u>25,000 CR</u>
		25,000 CR
<b>6</b>	<b>Investment Management Expenses</b>	
	Increase in custody fees – linked to market values	20,000
	Management fee for new external fund manager for Bond portfolio	350,000
	Increased property advisor fees due to increased property portfolio and market values	<u>160,000</u>
		530,000
<b>7</b>	<b>Other Minor Variations</b>	<u>6,400</u>
<b>8</b>	<b>Inflation</b>	
	Price inflation - absorbed	0
	Pay assumed 1%	<u>23,800</u>
		<u>23,800</u>
<b>9</b>	<b>Estimate 2016/17</b>	<b><u>6,336,800</u></b>

**SOUTH YORKSHIRE PENSIONS AUTHORITY**  
**BUDGET 2016/17**

**ESTIMATED RECHARGES TO SOUTH YORKSHIRE DISTRICT COUNCILS**

Responsibility for early retirement compensation payments awarded by the former South Yorkshire County Council and South Yorkshire Residuary Body passed to the Pensions Authority when it was created in 1988. However, the same statutory instrument that created the Pensions Authority made provision for the four District Councils to reimburse the cost of those payments on a proportional basis according to the size of their population. The Levy is the mechanism by which that reimbursement is achieved.

**1 Probable Outturn 2015/2016**

	<b>Barnsley</b>	<b>Doncaster</b>	<b>Rotherham</b>	<b>Sheffield</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Rechargeable Pensions	2,582	1,961	1,380	6,673	12,596
Levy	<u>95</u>	<u>120</u>	<u>103</u>	<u>205</u>	<u>523</u>
	<u>2,677</u>	<u>2,081</u>	<u>1,483</u>	<u>6,878</u>	<u>13,119</u>

**2 Estimates 2016/17**

**(i) Payments due under 1987 Order (Levy)**

Ex SYCC and WYCC Employees	504
Gratuities	<u>-</u>

**Levy 2016/17** **504**

**(ii) Total payments by District**

	<b>Barnsley</b>	<b>Doncaster</b>	<b>Rotherham</b>	<b>Sheffield</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Rechargeable Pensions	2,580	1,962	1,380	6,672	12,594
Levy	<u>92</u>	<u>115</u>	<u>99</u>	<u>198</u>	<u>504</u>
	<u>2,672</u>	<u>2,077</u>	<u>1,479</u>	<u>6,870</u>	<u>13,098</u>

(a) Apportionment of costs under the 1987 Order (ie the levy) is based on the Council Tax base for each District Council.

(The above figures are based on estimated Council Tax Bases and will be recalculated as appropriate when actual figures are available).

(b) Pensions administration and investment management costs are borne by the Pension Fund.