

APPENDIX 1A

Summary of main budget variances: Year to 31 March 2016

Variations Analysis of the full year expenditure and income, against budget.

Expenditure Heading	Variance £*	Most Significant Reasons for Variance
Salaries	(99,000)	Reduced salaries expenditure due to:- - Initial delays in the appointment of additional staff resources to meet the requirements of the GMP reconciliation. - Initial delays in the appointment of a Custody & Finance Officer. - A Team Leader post being held open pending the restructure of Benefits.
Communication Costs	(44,000)	Savings have been made on guides, leaflets, newsletters and the annual report through greater use of on-line access. There have also been savings on the cost of the employer conference and through web site development being carried out in-house.
Information Systems	(14,000)	The budget included a provision for new hardware that was not required in the year.
Central Allocated Costs	(9,000)	Savings in accommodation costs have been achieved through flexible working.
Miscellaneous Recoveries / Income	(51,000)	The increased income was mainly due to the imposition of fines on employers for non-compliance in the provision of year end data. The fines are intended to promote future compliance, allowing efficient processing. They are not intended to be a source of income.
IT Strategy	(27,000)	Reduced expenditure in 2015/16 due to some system development being held over to 2016/17 in order to be included in a new software release, particularly in relation to Employer Self Service.
Administration	(253,000)	(Total includes minor variances not included above)

Investment Governance & Member Training	(67,000)	Reduced expenditure due to later timing of Responsible Investment Review into 2016/17 and underspend on member training.
Compliance Costs & Compliance Costs recharged	(16,000)	The lower than budgeted expenditure on compliance costs was largely offset by the consequent reduction in the recharges of compliance costs.
Global Custodian Fees	24,000	Higher transaction costs arising from the change to passive currency hedging and the inclusion of property and hedge fund portfolios in the revised currency hedging policy as agreed at Sept Committee meeting.

Investment Manager Fees	(1,563,000)	The reduction is due to changes to mandates that have led to lower fee rates and the market generating lower returns than was assumed in the preparation of the budget. This has been partially offset by higher than estimated performance related fees payable in 2015/16. The expenditure on fees does not include performance related fees that relate to the period but are not paid in the period.
Pensions Board	(19,000)	Expenditure on allowances and training fell below the provision for the new board that was included in the budget.

Expenditure (1,645,000) (Total includes minor variances not included above)

**Outside Direct
Control**

Total Underspend (1,898,000)

*() variance represents an under-spend, or recovery of income over budget
+ve variance represents an over-spend, or recovery of income below budget