

Bath & North East Somerset Council			
MEETING:	AVON PENSION FUND COMMITTEE		AGENDA ITEM NUMBER
MEETING DATE:	26 JUNE 2020		
TITLE:	2020 - 23 SERVICE PLAN AND BUDGET		
WARD:	'ALL'		
AN OPEN PUBLIC ITEM			
List of attachments to this report: Annex 1: 2020-23 Service Plan and Budget Report Appendix 1 – Scope of Avon Pension Fund Appendix 1a – Admin & Investment Resource Appendix 2 – Service Plan Monitoring of Objectives Appendix 3 – Budget & Cash Flow Forecast			

1 THE ISSUE

- 1.1 The purpose of this report is to present to Committee the 3 Year Service Plan and Budget for the period 1 April 2020 to 31 March 2023.
- 1.2 The Service Plan (Annex 1) details development proposals that are planned to be undertaken during the next 3 financial years. These are designed to respond to known legislative changes and Committee initiatives as well as to take the Service forward by improving performance and overall quality of service to its stakeholders.

2 RECOMMENDATION

- 2.1 That the Committee approves the 3 Year Service Plan and Budget for 2020-23 for the Avon Pension Fund.

3 FINANCIAL IMPLICATIONS

- 3.1 The administrative and management costs incurred by the Avon Pension Fund are recovered from the employing bodies through the employers' contribution rates.
- 3.2 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 provide that any costs, charges and expenses incurred administering a pension fund may be paid from it.
- 3.3 Financial implications are contained within the body of the Report.

4 SERVICE PLAN 2020-23

4.1 The Service Plan sets out the Pension Fund's objectives for the next three years. The three-year budget supports the objectives and actions arising from the plan including work relating to the investment strategy, risk management and compliance and improvements in the administration of the Fund.

4.2 The main focus of this plan is as follows:

- (i) To work with Brunel Client Group and Brunel to ensure efficient transition of assets and full consideration of all investment, financial and governance issues. Ensure Committee and Board kept up to date of progress.
- (ii) To continue the business service objectives outlined in the revised Admin Strategy (2019) and implement the new employer Service Level Agreement including the option of a new chargeable service offer.
- (iii) Following 2019 valuation and strategic Investment review, plan for next review to ensure all options and scenarios are considered ahead of 2022 valuation and fed into 2022/23 Strategic Review.
- (iv) Develop and implement stakeholder communications strategy for investment strategy and climate change.
- (v) To continue the implementation of the IT strategy to achieve a digital step change in service delivery and to mitigate service demand growth.
- (vi) Undertake a structural review of digital IT platform and service delivery.
- (vii) Plan for the expected burden on Fund administration resulting from the McCloud remedy.

4.3 Full details of the 2020- 23 Service Plan are included in the Annex. Appendix 2 of the Service Plan shows the new medium-term targets for 2020-23

5 BUDGET FOR 2020-23

5.1 The Service Plan includes details of the proposed budget and cash flow forecast over this period. The three-year budget and cash flow forecast commencing 1 April 2020 are included as **APPENDIX 3** to the Service Plan.

5.2 The budget is split between those areas that relate to the administration of the Fund in terms of providing the administration service to members and employers, and those areas where there is less scope to directly control the costs. The latter areas include Investment Management and Custody costs where the fee structure is agreed by the Fund but the actual costs incurred are dependent upon investment performance and the volume of transactions. They also include governance and compliance expenses which are a consequence of the Fund's policy response to regulations and investment strategy. The budget also includes the estimated costs of the pension board. The LGPS regulations require the costs of local pension boards to be met by the local fund.

5.3 The budget approved for Administration in 2019/20 was £3,441,335. In the proposed budget for 2020/2021 this has been increased to £3,682,416. The increase will provide additional temporary staffing resource to support administration requirements as a result of the expected McCloud remedy. Further additional budget has been allocated to undertake a preliminary review of the current IT systems platform. There is also a roll-over of additional budget for one off projects; to check mortality and member tracing and completion of the GMP reconciliation exercise and finally the potential trivialisation of pensioner member small pot pensions. The previous unused IT development budget have been removed. However, this will be revisited going forward, depending on the planned

IT system review. Within Governance and Compliance there is a decrease in the budget due to the 2019 valuation completing in the main by 31 March 2020.

5.4 Investment management fees (including those for Brunel) are flat year on year due to the fee savings from transitioning the assets to Brunel. Performance fees rise marginally, reflecting performance in excess of targets set. The management costs for Brunel (for operations and service delivery) are shown separately. The Transition costs are not included as these are taken off the value of the assets.

5.5 The inclusion of the three-year cash flow forecast reflects the need to monitor the Fund's cash flow since it ceased to be continuously cash flow positive. The close monitoring of the Fund's cash flow position is a vital tool in the management of the cash that is achieved through its investment strategy.

6 RISK MANAGEMENT

6.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy in place that is regularly monitored. In addition, it monitors the benefits administration, the risk register and compliance with relevant investment, finance and administration regulations. The creation of an Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

7 CLIMATE CHANGE

7.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and is in the process of addressing this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

8 OTHER OPTIONS CONSIDERED

8.1 None

9 CONSULTATION

9.1 The Council's Monitoring Officer and Section 151 Officer have had the opportunity to input to this report and have cleared it for publication

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Background papers	Various Accounting Records