

**Bath & North East Somerset Council**

MEETING:	<b>AVON PENSION FUND COMMITTEE</b>	
MEETING DATE:	<b>17 March 2023</b>	AGENDA ITEM NUMBER <input type="text"/>
TITLE:	<b>2023 - 26 SERVICE PLAN AND BUDGET</b>	
WARD:	<b>ALL</b>	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b>		
<b>Annex 1:</b>	<b>2023-26 Service Plan and Budget Report</b>	
<b>Appendix 1</b>	<b>Scope of the Avon Pension Fund</b>	
<b>Appendix 2A</b>	<b>Service Plan monitoring 2023</b>	
<b>Appendix 2B</b>	<b>Service Plan completed projects 2022</b>	
<b>Appendix 3</b>	<b>Budget &amp; Cash Flow Forecast</b>	

**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 2023-26.
- 1.2 The Service Plan (Appendix-1) details developments to be undertaken during the next 3 financial years. These are designed to improve performance and the overall quality of service to stakeholders, as well as meet legislative obligations.

**2 RECOMMENDATION**

- 2.1 That the Committee approve the 3 Year Service Plan and Budget for 2023-26 for the Avon Pension Fund.**

**3 FINANCIAL IMPLICATIONS**

- 3.1 Administration and investment management costs incurred by the Avon Pension Fund are recovered from the Fund through 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 2023-26**

4.1 The Service Plan sets out the Fund's objectives for 2023-26. The 3-year budget underpins actions in the plan including the investment strategy, risk management, compliance, and improvements in administration of the Fund.

4.2 The main focus of this plan is as follows:

### **(i) Service**

- The Fund will implement a new service model to facilitate digitalisation and process automation, raising operational efficiency and improving service for members.
- The fund will transfer administration of the Firefighters' Pension Scheme in conjunction with Avon Fire Authority.

### **(ii) Funding**

- The Fund will manage employer admissions and exits, as well as assessing employer contributions vs covenant quality.
- The Fund will also explore if a captive (Fund-wide) arrangement for Death in Service can be implemented at minimal extra cost to employers.

### **(iii) Investments**

- The Fund will complete a strategic investment review and implement resulting changes to asset allocation, risk management (including liability driven investing and hedging) and climate goals.
- It will also actively seek broad stakeholder engagement in investment strategy and climate change.
- The investment consultancy contract (with Mercer) expires in 2023 and the Fund will tender a fresh contract within the LGPS National Framework.

### **(iv) Regulations:**

- The Fund will manage three mandated changes
  - o The McCloud remedy including for the Fire scheme.
  - o Rectification required in respect of the Guaranteed Minimum Pensions.
  - o Planned introduction of the DWP pensions dashboard.
- The Fund will implement requirements of the Good Governance Review and The Pension Regulator's Single Code of Practice.

### **(v) People**

- To help address a high staff vacancy rate of c.13%, the fund will review pay scales with independent advice, and recommend changes to be executed as soon as practical.
- The fund will also support staff wellbeing and provide access to resource tools and training opportunities.

4.3 Full details of the 2023-26 Service Plan are in Appendix 1.

4.4 Appendix 2 shows the new medium-term projects for 2023-26 together with completed projects from the 2022-23 plan.

## 5 BUDGET FOR 2023-26

- 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 2023 are included as APPENDIX 3 to the Service Plan.
- 5.2 The aggregate budget for 2023-24 of £31.9m is £2.1m (6%) below the £34.0m budget of 2022-23.

<i>£ millions</i>	2022-23	2023-24	Change
Administration & Governance	5.9	7.0	+ 1.1
Investments	28.1	24.9	- 3.2
Total	34.0	31.9	- 2.1

- 5.3 The administration and governance budget of £7.0m in 2023-24 is a £1.1m increase over 2022-23, largely driven by new roles, inflation, and contingency for a salary review.
- 5.4 In Investments, costs of £24.9m are £3.2m (11%) lower than the £28.1m of 2022-23. This difference is largely driven by: lower asset values, higher proportion of passive equities, allocations towards portfolios with lower fees, lower asset values.

## 6 RISK MANAGEMENT

- 6.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund, with responsibility to ensure adequate risk management processes.
- 6.2 It discharges this responsibility by ensuring the Fund has an appropriate investment strategy which is regularly monitored.
- 6.3 In addition the Committee monitors benefits administration, the risk register and compliance with relevant regulations. The Investment Panel further strengthens governance of investment matters and contributes to reduced risk.

## 7 EQUALITIES

- 7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

## 8 CLIMATE CHANGE

- 8.1 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.
- 8.2 The Fund acknowledges financial risk to its assets from climate change and addresses this through its strategic asset allocation to Paris Aligned Global Equities and renewable opportunities. The strategy is monitored and reviewed by the Committee.
- 8.3 The Fund also seeks to act as a force for positive change in climate matters and will act in collaboration with other responsible investors to engage companies, encouraging them to accelerate their pathway towards net zero.

## 9 OTHER OPTIONS CONSIDERED

9.1 None

## 10 CONSULTATION

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

<b>Contact persons</b>	<b>Budget</b> – Dave Richards, Finance & Systems Manager (Pensions) (01225 395259) <b>Service Plan</b> – Nick Dixon, Head of Pensions (01225 477325), Geoff Cleak, Pensions Manager (01225 395277), Liz Woodyard, Group Manager Funding, Investments & Risk (01225 395306)
<b>Background papers</b>	Various Accounting Records