

**Bath & North East Somerset Council**

MEETING: **AVON PENSION FUND COMMITTEE**

MEETING DATE: **22 March 2024**

AGENDA  
ITEM  
NUMBER

10

TITLE: **2024-27 PLAN & BUDGET**

WARD: **ALL**

**AN OPEN PUBLIC ITEM**

**List of attachments to this report:**

- Annex 1: 2024-27 Plan & Budget Report**
- Appendix 1 Scope of the Avon Pension Fund**
- Appendix 2A Service Plan monitoring 2024**
- Appendix 2B Service Plan completed projects 2023**
- Appendix 3 Budget & Cash Flow Forecast**
- Appendix 4 Strategic Roadmap**

## **1 THE ISSUE**

- 1.1 The purpose of this report is to present to Committee the 3-year plan and budget for the period 2024-27.
- 1.2 The Plan (Appendix-1) details developments to be undertaken during the next 3 financial years, designed to improve service and efficiency, as well as meet legislative obligations.

## **2 RECOMMENDATION**

- 2.1 **That the Committee approve the 3 Year Plan & Budget 2024-27 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 PLAN 2024-27**

4.1 The plan sets out the Fund's objectives for 2024-27. 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 actions to raise operational efficiency and improving service for members.

### **(ii) Funding**

- The Fund aims to grow its assets faster than its liabilities and reach a 100% funding position over the medium term.
- The Fund will manage employer admissions and exits, as well as assessing employer contributions vs covenant quality.

### **(iii) Investments**

- The Fund will implement its investment strategy, designed to grow assets by CPI + 3.5% across the economic cycle, at an acceptable risk which can deliver reasonably predictable employer contributions.
- The fund will use risk management, including liability driven investing and equity hedging to reduce asset-liability risks.
- The will implement its climate strategy which the Committee approved in December 2023.

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

- The Fund will manage three mandated changes
  - o The McCloud remedy.
  - 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**

- The Fund will build its FTE resources towards a new target of 92 FTEs, raising capacity and skills to improve service standards.
- The fund will also support staff wellbeing and provide access to resource tools and training opportunities.

4.3 Full details of the 2024-27 Service Plan are in Annex 1.

4.4 Appendix 2 shows the new medium-term projects for 2024-27 together with completed projects from the 2023-24 plan.

## 5 BUDGET FOR 2024-27

- 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 2024 are included as APPENDIX 3 to the Service Plan.
- 5.2 The core essence of the Fund's budget is that action to constrain investment costs, e.g. high passive weighting – creates financial headroom to raise people capacity with higher administration costs.
- 5.3 The aggregate budget for 2024-25 of £31.4m is £0.4m (1%) lower than the £31.8m budget of 2023-24.

<i>£ millions</i>	2023-24	2024-25	Change
Administration	6.9	8.7	+1.8
Investments & Governance	24.9	22.7	-2.2
Total	31.8	31.4	-0.4

- 5.4 The administration budget of £8.7m in 2024-25 is a £1.8m increase over 2023-24, largely driven by new roles, inflation, and contingency for a salary review.
- 5.5 In Investments & Governance, costs of £22.7m are £2.2m lower than the £24.9m budget of 2022-23, owing to lower performance fees and greater passive weightings.

## 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 Director of One West & APF has 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), Claire Newbery, Pensions Operations Manager (01225 395247), Liz Woodyard, Group Manager Funding, Investments & Risk (01225 395306)
<b>Background papers</b>	Various Accounting Records