

Business Plan 2015/6 to 2017/8 – Q3 Update

Governance

Budget

All the costs associated with the management of the Fund are a charge to the Fund and not to the Council. Actual 2015/16 figures are to end of Quarter 3 (31 December 2015)

Cashflows projections for 2015/16

	2013/14	2014/15	2015/16			
	£000s	£000s	£000s			
	Actual	Actual	Budget	Actual	Projected for full year	Projected under/over
Opening Cash	(15,874)	(30,520)	(43,735)	(43,735)		
Payments						
Pensions	46,858	50,415	53,600	39,212	53,600	0
Lump Sums & Death Grants	12,861	17,317	18,000	12,120	17,000	(1,000)
Transfers Out	3,260	2,036	2,800	1,212	1,700	(1,100)
Expenses (including In House)	2,436	2,691	3,450	3,255	4,450	1,000
Support Services	242	219	250	167	167	(83)
Total Payments	65,657	72,678	78,100	55,966	76,917	(1,183)
Income						
Employer Contributions	(27,451)	(29,608)	(31,765)	(23,921)	(31,765)	0
Employee Contributions	(14,629)	(14,532)	(15,200)	(10,877)	(15,200)	0
Employer Deficit Payments	(24,666)	(28,079)	(27,320)	(27,437)	(27,560)	(240)
Transfers In	(3,802)	(2,347)	(4,000)	(1,469)	(2,000)	2,000
Pension Strain	(1,104)	(3,030)	(2,350)	(1,974)	(2,500)	(150)
Investment Income	(2,901)	(3,070)	(3,000)	(1,987)	(2,610)	390
Total Income	(74,553)	(80,666)	(83,635)	(67,665)	(81,635)	2,000
In House Investments						
Draw downs	46,624	40,212	44,376	24,868	34,000	(10,376)
Distributions	(33,135)	(59,824)	(61,606)	(48,768)	(60,000)	1,606
Net Expenditure /(Income)	13,489	(19,612)	(17,230)	(23,900)	(26,000)	(8,770)
Net Purchases/(Sales)	(1,259)	(615)	(600)	(300)	(300)	300
Rebalancing Portfolio	(17,980)	15,000	40,000	68,194	64,700	24,700
Total Net Cash Flow	(14,646)	(13,215)	16,635	32,295	33,682	
Closing Cash	(30,520)	(43,735)	(27,100)	(11,440)	(10,053)	

Operating Costs

	2013/14	2014/15	2015/16			
	Actual £000s	Actual £000s	Budget £000s	Actual £000s	Projected for full year £000s	Projected under/ over £000s
Governance Expenses						
Employee Costs (Direct)	182	218	226	169	226	0
Support & Services Costs (Internal Recharges)	23	13	19	0	19	0
Premises	19	8	17	0	17	0
IT (Support & Services)	10	12	10	0	10	0
Other Supplies & Services)	47	49	56	35	47	(9)
Audit Fees	35	37	36	13	36	0
Actuarial Fees	148	205	192	101	192	0
Consultant Fees	229	403	341	186	341	0
Advisor Fees	0	142	156	144	218	62
Legal Fees	31	21	30	5	30	0
Performance Monitoring Fees	25	20	25	24	30	5
Total Governance Expenses	749	1,128	1,108	677	1,166	58
Investment Management Expenses						
Fund Manager Fees*	5,571	16,127	14,490	1,674	11,300	(3,190)
Custody Fees	17	32	34	17	34	0
Total Investment Management Expenses	5,588	16,159	14,524	1,691	11,334	(3,190)
Administration Expenses						
Employee Costs (Direct)	599	592	662	454	662	0
Support & Services Costs (Internal Recharges)	69	53	82	0	82	0
Outsourcing	0	32	800	182	370	(430)
Premises	78	33	75	0	75	0
IT (Support & Services)	223	218	250	151	250	0
Other Supplies & Services)	63	75	70	51	70	0
Miscellaneous Income	(2)	(1)	0	0	0	0
Total Administration Expenses	1,030	1,002	1,939	838	1,509	(430)
Total Costs	7,367	18,289	17,571	3,206	14,009	(3,562)

*Fund manager fees include elements now required to be disclosed by CIPFA. The 2015/16 budget for manager fees has been revised to £14.490m

Key Tasks

Key:

	Complete
	On target or ahead of schedule
	Commenced but behind schedule
	Not commenced
xN	Item added since original business plan
xM	Period moved since original business plan due to change of plan /circumstances
*	Original item where the period has been moved or task deleted since original business plan

Governance Tasks

Ref	Key Action -Task	2015/6 Period				Later Years	
		Q1	Q2	Q3	Q4	2016/17	2017/18
G2	Service local Pension Board		x	x	x		
G3	Implement Training Policy	x	x	x	x		
G4	Review/Tender Actuarial Contract		x	x			xM
G7	Review Arrangements against TPR Code of Practice			x			
G8	Allow for impact of external factors	x	x	x	x	x	x
G10	Consider/implement any changes of governance arrangements from Annual Review by Independent Adviser or Local Board				x	x	x
G11	Review People Strategy		x	x			
G12	Implement breaches of law procedure and register			xN	xN	xN	xN

Governance Task Descriptions

G2 – Service local Pension Board

What is it?

Once the new Pension Board is established it will need ongoing support in carrying out its operational duties. As per the Board's Terms of Reference the responsibility for providing this support (e.g. arranging meetings, setting agendas, producing minutes etc.) will fall to the Board Secretary (the Pension Fund Manager) within the Council with it being chaired by the Independent Adviser (subject to confirmation). The Board Secretary will need to liaise closely with the Board members and, in particular, the Chair of the Board to ensure that Board meetings run as smoothly as possible.

Timescales and Stages

Board Secretary to liaise with Chair to determine support required:	2015/16 Q2
Board Secretary to determine support resource required:	2015/16 Q2/3
Ongoing support provided:	2015/16 Q2-4

Resource and Budget Implications

To be led by Pension Fund Manager with assistance from the Independent Adviser. All internal costs are being met from the existing budget and there will be external adviser costs associated with this exercise.

G3 – Implement Training Policy

What is it?

The Fund's Training Policy details how the Fund will ensure that training is delivered, and how the required training is identified for each member. A Training Plan will be submitted to the March 2015 Pension Fund Committee meeting. A new requirement is that the Pension Board members are legally required to have the appropriate level of knowledge and understanding to sit on the Board and, as such, will need to be appropriately trained. The Council will need to ensure that it implements the training in line with the Training Plan which will include training to Pension Committee members and senior officers in addition to the Pension Board members.

Timescales and Stages

Identify individual training needs for new board members:	2015/16 Q1/2
Source and ensure delivery of identified training needs:	2015/16 Q2/4
Keep appropriate records of training received:	2015/16 Q2/4

Resource and Budget Implications

Training requirements to be determined by Pension Fund Manager with assistance from the Independent Adviser. Other advisers and external sources may be used for delivering training. There will be external adviser costs associated with this exercise.

G4 – Review/Tender Actuarial Contract

What is it?

The Council needs to review its current actuarial contract to ensure it is getting all the services it wants at the appropriate price and at what it considers to be value for money. This review should include Funding Risk Management and also Benefit Consultancy Services. Following this review, and discussions with procurement, the Council needs to put the actuarial contract out to tender, perhaps using a national framework.

Timescales and Stages

Review current actuarial contract and identify tender process:	2015/16 Q2
Conduct tender for actuarial services:	2015/16 Q2/3

Resource and Budget Implications

To be led by Pension Fund Manager. All internal costs are being met from the existing budget.

G7 – Review Arrangements against TPR Code of Practice

What is it?

The Public Service Pensions Act brought the Pensions Regulator’s oversight to the Public Sector as well as the Private Sector. As a result, the Pensions Regulator has produced a Code of Practice which has recently been finalised, which sets out guidance on the best practice that all LGPS Funds should operate. The Council therefore needs to review its current arrangements against this best practice guidance to ensure that it is following best practice in all instances. As a result of this review, should any areas come to light where the current approach is not best practice, the Council will consider implementing changes to bring them in to line with best practice.

Timescales and Stages

Review arrangements against Code of Practice:	2015/16 Q3
Identify areas currently not considered best practice:	2015/16 Q3
Implement any changes required:	To be decided

Resource and Budget Implications

To be led by Pension Fund Manager with assistance from the Independent Adviser. All internal costs are being met from the existing budget. There will be external adviser costs associated with this exercise.

G8 – Allow for impact of external factors

What is it?

We are aware of a number of national issues currently under various stages of discussion which will eventually impact on the Council. These include the Government’s 2014 Call for Evidence, Consideration of the Welsh CIV proposal, Local Authority Reorganisation in Wales and Scheme Advisory Board’s recommendations on separation from the administering authority role. The impact of these issues, and others that arise, will be formally brought into the business plan as and when they are known in more detail.

Timescales and Stages

To be confirmed

Resource and Budget Implications

Unknown.

G10 – Consider/implement any changes of governance arrangements from Annual Review by Independent Adviser or Local Board

What is it?

Every year the Independent Adviser will review the governance arrangements of the Pension Fund. In addition the local Pension Board in their oversight role may identify areas relating to the management of the Fund that they consider should be reviewed. Should either of these avenues recommend any governance changes, these will need to be considered, and if the Council agrees, the recommended governance changes will need to be implemented.

Timescales and Stages

Receive recommendations from Adviser or board:	Q42015/16 onwards
Consider any changes required from recommendations:	2016/17 onwards
Implement any agreed governance changes:	2016/17 onwards

Resource and Budget Implications

Unknown.

G11 – Review People Strategy

What is it?

The Council needs to review the continued appropriateness of the current operational staffing levels with the Pensions Administration department. In addition, annual appraisals need to be undertaken for all Pension Administration staff.

Timescales and Stages

Review staffing levels:	2015/6 Q1/2
Undertake appraisals:	2015/6 Q1/2

Resource and Budget Implications

To be led by Pension Fund Manager. All internal costs are being met from the existing budget albeit any necessary changes to staffing levels or numbers may impact on the budget.

G12 – Implement Breaches of Law Procedure and Register

What is it?

The Council needs to implement a breaches of law procedure to comply with Section 70 of The Pensions Act 2004. All breaches will be recorded in a breaches register.

Timescales and Stages

Implement the breaches procedure and register:	2015/6 Q3
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Resource and Budget Implications

To be led by Pension Fund Manager with assistance from the Independent Adviser. All internal costs are being met from the existing budget. There will be external adviser costs associated with this exercise.