

# Business Plan 2023/24 to 2025/26 – Q4 Update

## Governance

### Cashflow projections

	2021/22	2022/23	2023/24 £000s			
	£000s	£000s	Budget	Actual	Projected for full year	Final under/over
<b>Opening Cash</b>	(37,078)	(79,645)	(96,470)	(98,282)		
<b>Payments</b>						
Pensions	66,794	70,660	76,800	59,062	78,562	1,762
Lump Sums & Death Grants	17,158	17,183	16,000	13,381	17,841	1,841
Transfers Out	4,459	5,974	6,000	2,785	3,713	(2,287)
Expenses	5,047	6,128	5,900	4,302	5,736	(164)
Tax Paid	73	111	100	0	75	(25)
Support Services	173	131	135	0	135	0
<b>Total Payments</b>	<b>93,704</b>	<b>100,187</b>	<b>104,935</b>	<b>79,530</b>	<b>106,063</b>	<b>1,128</b>
<b>Income</b>						
Employer Contributions	(49,897)	(56,977)	(60,000)	(49,870)	(66,493)	(6,493)
Employee Contributions	(17,530)	(20,070)	(20,200)	(15,879)	(21,172)	(972)
Employer Deficit Payments	(14,383)	(14,889)	9,200	6,591	8,591	(609)
Transfers In	(6,957)	(6,245)	(6,000)	(3,777)	(5,036)	964
Pension Strain	(1,482)	(670)	(1,200)	(200)	(250)	950
Income	(13)	(479)	(200)	(703)	(903)	(703)
<b>Total Income</b>	<b>(90,262)</b>	<b>(99,330)</b>	<b>(78,400)</b>	<b>(63,838)</b>	<b>(85,263)</b>	<b>(6,863)</b>
<b>Cashflow Net of Investment Income</b>	<b>3,442</b>	<b>857</b>	<b>26,535</b>	<b>15,692</b>	<b>20,799</b>	<b>(5,736)</b>
Investment Income	(11,635)	(12,130)	(12,000)	(11,722)	(15,629)	(3,629)
Investment Expenses	6,162	6,999	6,000	6,544	8,725	2,725
<b>Total Net of In House Investments</b>	<b>(2,031)</b>	<b>(4,274)</b>	<b>20,535</b>	<b>10,514</b>	<b>13,895</b>	<b>(6,640)</b>
<b>In House Investments</b>						
Draw downs	66,941	82,865	131,210	108,851	143,351	12,141
Distributions	(117,117)	(91,626)	(82,502)	(49,623)	(66,164)	16,338
<b>Net Expenditure /(Income)</b>	<b>(50,176)</b>	<b>(8,761)</b>	<b>48,708</b>	<b>59,228</b>	<b>77,187</b>	<b>28,479</b>
<b>Total Net Cash Flow</b>	<b>(52,207)</b>	<b>(13,035)</b>	<b>69,243</b>	<b>69,742</b>	<b>91,082</b>	<b>21,839</b>
Rebalancing Portfolio	9,640	(5,602)		(24,677)	(24,677)	(24,677)
<b>Total Cash Flow</b>	<b>(42,567)</b>	<b>(18,637)</b>	<b>69,243</b>	<b>45,065</b>	<b>66,405</b>	
<b>Closing Cash</b>	<b>(79,645)</b>	<b>(98,282)</b>	<b>(27,227)</b>	<b>(53,217)</b>	<b>(31,877)</b>	

## Operating Costs

	2021/22	2022/23	2023/24			
	Actual	Actual	Budget	Actual	Projected for full year	Projected under/over
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Governance Expenses</b>						
Employee Costs (Direct)	299	281	413	268	366	(47)
Support & Services Costs (Internal Recharges)	23	18	17	0	17	0
Other Supplies & Services)	65	64	95	(52)	94	(1)
Audit Fees	41	47	45	4	47	2
Actuarial Fees	493	926	722	314	550	(172)
Consultant Fees	1,065	1,548	1,087	825	1,143	56
Advisor Fees	532	586	598	413	581	(17)
Legal Fees	113	74	30	55	60	30
Pension Board	101	96	111	25	143	32
Pooling (Consultants & Host Authority)	144	163	215	27	224	9
<b>Total Governance Expenses</b>	<b>2,876</b>	<b>3,803</b>	<b>3,333</b>	<b>1,879</b>	<b>3,225</b>	<b>(108)</b>
<b>Investment Management Expenses</b>						
Fund Manager Fees*	19,490	21,298	19,755	6,589	19,755	(0)
Custody Fees	106	158	192	23	192	0
Performance Monitoring Fees	53	46	46	27	47	1
Pooling (Operator / Manager)	998	930	885	0	885	(0)
<b>Total Investment Management Expenses</b>	<b>20,647</b>	<b>22,432</b>	<b>20,878</b>	<b>6,639</b>	<b>20,879</b>	<b>1</b>
<b>Administration Expenses</b>						
Employee Costs (Direct)	1,242	1,392	1636	1,141	1,541	(95)
Support & Services Costs (Internal Recharges)	150	114	114	0	114	0
Outsourcing	41	0	0	0	0	0
IT (Support & Services)	488	516	718	460	602	(116)
Other Supplies & Services)	103	125	146	73	117	(29)
<b>Total Administration Expenses</b>	<b>2,024</b>	<b>2,147</b>	<b>2,614</b>	<b>1,674</b>	<b>2,374</b>	<b>(240)</b>
<b>Employer Liaison Team</b>						
Employee Costs (Direct)	218	320	396	284	347	(49)
<b>Total Costs</b>	<b>25,765</b>	<b>28,702</b>	<b>27,221</b>	<b>10,476</b>	<b>26,826</b>	<b>(395)</b>

## 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	2023/24 Period				Later Years	
		Q1	Q2	Q3	Q4	2024/25	2025/26
G1	Committee and Board knowledge and skills	x	x				
G2	Appointments of Local Pension Board and Pension Fund Committee Members	x	x			x	x
G3	Review against TPR new General Code	✖	✖	✖	xM	xM	
G4	Ongoing developments in business continuity arrangements including managing cyber risk	x	x	x			
G5	Succession planning and ongoing resource requirements	x	x	x	x	xM	
G6	Implement government changes relating to Scheme Advisory Board good governance review		✖	✖	xM	xM	
G7	Review of governance related policies			x	x	x	x

## Governance Task Descriptions

### G1: Committee and Board Knowledge and Skills

#### What is it?

The Fund has put into place a Knowledge and Skills Policy which covers members of the Pension Fund Committee, members of the Pension Board and Senior Officers. The ultimate aim of this policy is to ensure that those responsible for the management, delivery and governance and decision making in the Clwyd Pension Fund have the appropriate levels of knowledge and skills.

Induction training is completed by all new members at the beginning of their role, with the most recent round of induction training taking place over the summer and autumn of 2022 for new members of the Pension Fund Committee.

A key element of delivering the Knowledge and Skills Policy objectives is ensuring that the level of knowledge and skills is monitored, and gaps in knowledge or skills are determined. We will do this in a number of ways:

- We will carry out a training needs analysis for the members of the Pension Fund Committee and Pension Board customised appropriately to the key areas in which they should be proficient (including the CIPFA competencies). This or an alternative questionnaire will also include questions relating to relevant skills.
- We will regularly ask Pension Fund Committee members and Pension Board members to highlight training needs.
- We will monitor attendance at training and events to ensure any lack of attendance is followed-up.

The output from these will be key in updating the Clwyd Pension Fund Training Plan.

Now that the induction training for the new members of the Pension Fund Committee is complete, a training needs analysis will be carried out and the Fund's training plan will be adapted accordingly.

#### Timescales and Stages

Conduct a training needs analysis for Pension Fund Committee members, Pension Board members and for Senior Officers	2023/24 Q1
Consider the training plan and schedule key sessions where gaps in knowledge are highlighted	2023/24 Q1 to Q2

#### Resource and Budget Implications

It is expected this will mainly involve the Head of Clwyd Pension Fund and the Independent Adviser. Estimated costs are included in the budget.

## G2: Appointment of Local Pension Board and Pension Fund Committee Members

### What is it?

The employer and scheme member representatives on the Local Board are appointed for a period of three years. This period may be extended to up to five years. The current appointments will be subject to review as follows:

- Two scheme employer representatives – July 2023 (three-year point)
- Scheme member representative (trade union) – October 2025 (three-year point)
- Scheme member representative (non-trade union) – February 2025 (five-year point)

For information, the representative members (for other scheme employers and scheme members) on the Pension Fund Committee are appointed for a period of not more than six years. The existing representative members were appointed in July 2020 and may be reappointed for further terms. Therefore, their existing appointments will need to be reviewed by July 2026 (which is outside the period of this business plan).

When considering Committee and Board appointments, the aspiration for diversity will be considered, albeit it is recognised that for elected members, this is largely out of the Fund's control as (a) the Councils decide who are to be on the Committee and (b) pool of elected members is subject to local elections.

### Timescales and Stages

Review Pension Board representatives (two scheme employer representatives) – already commenced	2023/24 Q1 to Q2
Review Pension Board representatives (two scheme member representatives)	2024/25 to 2025/26

### Resource and Budget Implications

It is expected this will mainly involve the Head of Clwyd Pension Fund taking advice from the Independent Adviser. All costs are being met from the existing budget.

## G3: Review against TPR new General Code

### What is it?

The Pensions Regulator (TPR) is expected to introduce a new code of practice (to be called the "General Code") in 2023 with expectations that this will be laid in Parliament in April and come into force shortly after. The first iteration of the new General Code will include Code of Practice No.14 (the relevant Code for Public Service Pension Schemes) as part of the merger of 10 of the 15 codes currently in place. This is expected to result in changes to the requirements placed on Public Service Pension Schemes, including the LGPS. Once the code has been laid before parliament, work will be undertaken to review whether the Fund complies with the requirements within the new General Code. After the initial review, ongoing compliance checks will be carried out on a regular basis.

### Timescales and Stages

Start reporting the Fund's compliance and activity against the new General Code from TPR	2023/24 Q1 to Q3
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## Resource and Budget Implications

This work will be performed by the Deputy Head of Clwyd Pension Fund and Pensions Administration Manager working with the Independent Adviser. Estimated costs of the review are included within the budgets shown.

### G4: Ongoing developments in business continuity arrangements including managing cyber risk

#### What is it?

The Fund has been carrying out a fundamental review of their business continuity arrangements, which has included developing their cyber resilience given that cybercrime is a key risk to the Fund. Whilst the focus of the last few years has been developing new or enhanced ongoing internal controls, as this development is largely complete, the key focus for the next few years will be ensuring this has become embedded within the Fund's business as usual activities. In order to ensure that this can become business as usual there are some key areas where further work is required including:

- developing a Fund specific cybercrime incident response plan in partnership with FCC.
- documenting processes where gaps were identified as part of the Business Impact Analysis and developing a plan for further staff training.
- creating a testing schedule (covering both general business incidents as well as cyber-attacks).

#### Timescales and Stages

Produce a cyber incident response plan	2023/24 Q1 to Q2
Develop Testing Schedule	2023/24 Q2 to Q3
Finalise schedule of cybercrime resilience testing for suppliers: already commenced	2023/24 Q1
Document key processes (where not already documented): already commenced	2023/24 Q1 to Q2
Identify ongoing officer training needs and produce a training schedule: subject to recruitment: already commenced	2023/24 Q1 to Q2

## Resource and Budget Implications

To be led by the Deputy Head of Clwyd Pension Fund and the Pensions Administration Manager with input from the Head of Clwyd Pension Fund and guidance from the Independent Adviser. All expected costs are included within the existing budgets.

### G5: Succession Planning and Ongoing Resource requirements

#### What is it?

The Fund is aware of a number of senior members of staff who are approaching retirement age or have plans to retire over the next two to five years. In order for the Fund to continue to offer the current levels of service and meet their statutory requirements, it is important that suitable succession plans are in place to ensure these roles can be filled with individuals who have the appropriate level of expertise and skills.

Further, there has been and continues to be quite significant increases in the Fund’s work, mainly due to national changes such as McCloud, National Pensions Dashboard, back-dated pay awards and TCFD. Some of the increases in workloads are temporary, but in many there are longer term implications. In addition, there appears to be an increase in the amount of administration case work in certain areas, such as the number of deferred members deciding to take payment of their benefits. This is being investigated further to try to forecast likely future case workloads.

In the short term, officers have increased the establishment with temporary members of staff with contracts that are due to cease in March 2024, and the temporary resource needs will continue to be monitored.

Longer term, work is being carried out to consider the resource requirements and whether any changes should be made to the team structure. This may include creating a project team within the Administration Team as a potential solution to assist with peaks in workload whilst also ensuring that external factors and ad-hoc projects do not impact on business as usual. In the meantime, it is proposed that a new temporary position of Principal Pensions Officer – Projects is created to assist in managing projects until the new team structure is determined.

This will also prepare the Fund to put in place the Workforce Policy that is to be introduced as part of the government’s response to the Good Governance review (see next point).

### Timescales and Stages

Consider the roles that are most at risk and ensure succession planning is in place: already commenced	2023/24 Q1 to Q2
Forecast future levels of work and consider if any further recruitment is required: already commenced	2023/24 Q1 to Q2
Develop proposed changes to resources and team structure	2023/24 Q3 to Q4

### Resource and Budget Implications

To be led by the Pensions Administration Manager and Deputy Head of Clwyd Pension Fund in relation to their respective teams, with input from the Head of Clwyd Pension Fund and the Independent Adviser. All expected costs are included within the existing budgets including provision for a temporary Principal Pensions Officer – Projects until 31 March 2024.

### G6: Implement government changes relating to outcome of Scheme Advisory Board good governance review

#### What is it?

The national LGPS Scheme Advisory Board (SAB) carried out a project which considered the structure of LGPS pension funds and their relation to the Host Authority. This review then evolved to focus on the elements of good governance aiming to ensure those responsible for managing funds met best practice. A number of recommendations were made including ensuring appropriate conflicts of interest management, knowledge and skills and having a designated LGPS lead officer in each administering authority.

In 2021 the SAB made a number of formal recommendations to DLUHC, including the request for DLUHC to issue statutory guidance relating to the areas of best practice identified by the project. SAB may also issue guidance in due course. The DLUHC consultation on draft regulations and statutory guidance has been delayed due to other national priorities. It is currently expected that this will be issued during 2023/24.

DLUHC has announced that it also intends to require funds to put in place a Workforce Policy as part of the requirements.

### Timescales and Stages

Respond to DLUHC consultation	2023/24 Q2 to Q3 (estimated)
Expected period to review existing arrangements against new statutory guidance and/or guidance	2023/24 Q4 and 2024/25 (estimated)

### Resource and Budget Implications

Estimated costs for this work are included within this year's budget although costs are uncertain at this time and may vary depending on the final guidance and requirements. It is expected this will mainly involve the Head of Clwyd Pension Fund taking advice from the Independent Adviser.

### G7: Review of Governance Related Policies

#### What is it?

The Fund has several policies focussing on the good governance of the Fund, all of which are subject to a fundamental review, usually at least every three years. The policies that is due for review in 2023/24 are Risk Policy and Business Continuity Policy.

### Timescales and Stages

Policy	Last reviewed	Next review due	Timescales for review work
Risk Policy	October 2020	October 2023	2023/24 Q3
Business Continuity Policy	March 2021	March 2024	2023/24 Q4
Conflicts of Interest Policy	September 2021	September 2024	2024/25
Knowledge and Skills Policy	September 2021	September 2024	2024/25
Procedure for Recording and Reporting Breaches of the Law	March 2022	March 2025	2024/25
Cyber Strategy	March 2022	March 2025	2024/25
Governance Policy and Compliance Statement	November 2022	November 2025	2025/26
Fraud Policy	March 2023 (expected)	March 2026	2025/26

### Resource and Budget Implications

It is expected this will mainly led by the Head of Clwyd Pension Fund taking advice from the Independent Adviser. Estimated costs are included in the budget.