

# Business Plan 2020/21 to 2022/23 – Q1/2 Update

## Governance

### Cashflow projections

	2018/19 £000s	2019/20 £000s	2020/21 £000s			
	Actual	Actual	Budget	Actual	Projected for full year	Final under/over
<b>Opening Cash</b>	(21,188)	(5,764)	(23,800)	(20,237)		
<b>Payments</b>						
Pensions	59,447	63,182	67,800	16,152	67,800	0
Lump Sums & Death Grants	14,708	15,486	16,000	2,764	16,000	0
Transfers Out	6,791	4,447	6,000	517	6,000	0
Expenses	4,263	3,863	5,200	1,312	5,200	0
Tax Paid	0	107	100	66	100	0
Support Services	265	161	170	0	170	0
<b>Total Payments</b>	<b>85,474</b>	<b>87,246</b>	<b>95,270</b>	<b>20,811</b>	<b>95,270</b>	<b>0</b>
<b>Income</b>						
Employer Contributions	(39,554)	(41,665)	(44,000)	(12,183)	(44,000)	0
Employee Contributions	(14,794)	(15,363)	(16,000)	(3,116)	(16,000)	0
Employer Deficit Payments	(18,811)	(19,244)	(14,000)	(14,384)	(14,000)	0
Transfers In	(4,220)	(5,976)	(6,000)	(521)	(6,000)	0
Pension Strain	(1,644)	(1,558)	(1,200)	0	(1,200)	0
Income	(45)	(92)	(40)	(25)	(40)	0
<b>Total Income</b>	<b>(79,068)</b>	<b>(83,898)</b>	<b>(81,240)</b>	<b>(30,229)</b>	<b>(81,240)</b>	<b>0</b>
<b>Cashflow Net of Investment Income</b>	<b>6,406</b>	<b>3,348</b>	<b>14,030</b>	<b>(9,418)</b>	<b>14,030</b>	<b>0</b>
Investment Income	(7,990)	(9,464)	(8,000)	(2,333)	(8,000)	0
Investment Expenses	3,593	3,800	4,000	431	4,000	0
<b>Total Net of In House Investments</b>	<b>2,009</b>	<b>(2,316)</b>	<b>10,030</b>	<b>(11,320)</b>	<b>10,030</b>	<b>0</b>
<b>In House Investments</b>						
Draw downs	91,883	115,114	70,403	7,257	29,028	(41,375)
Distributions	(58,348)	(55,270)	(78,672)	(8,927)	(35,708)	42,964
Net Expenditure /(Income)	33,535	59,844	(8,269)	(1,670)	(6,680)	1,589
<b>Total Net Cash Flow</b>	<b>35,544</b>	<b>57,528</b>	<b>1,761</b>	<b>(12,990)</b>	<b>3,350</b>	<b>1,589</b>
Rebalancing Portfolio	(20,120)	(72,001)		(115)	0	0
<b>Total Cash Flow</b>	<b>15,424</b>	<b>(14,473)</b>	<b>1,761</b>	<b>(13,105)</b>	<b>3,350</b>	
<b>Closing Cash</b>	<b>(5,764)</b>	<b>(20,237)</b>	<b>(22,039)</b>	<b>(33,342)</b>	<b>(16,887)</b>	

## Operating Costs

	2017/18	2018/19	2019/20				
	Actual	Actual	Budget	Revised Budget	Actual	Projected for full year	Projected under/over
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Governance Expenses</b>							
Employee Costs (Direct)	229	193	323	323	64	256	(67)
Support & Services Costs (Internal Recharges)	23	23	24	24	0	24	0
IT (Support & Services)	5	0	5	5	1	5	0
Other Supplies & Services)	69	64	82	82	14	82	0
Audit Fees	39	39	41	41	(10)	41	0
Actuarial Fees	217	407	641	641	124	496	(145)
Consultant Fees	511	598	859	859	249	610	(249)
Advisor Fees	202	436	337	524	139	524	0
Legal Fees	37	57	41	41	0	41	0
Pension Board		58	73	88	23	88	0
Pooling (Consultants & Host Authority)	0	85	119	120	2	120	0
<b>Total Governance Expenses</b>	<b>1,332</b>	<b>1,960</b>	<b>2,545</b>	<b>2,748</b>	<b>606</b>	<b>2,287</b>	<b>(461)</b>
<b>Investment Management Expenses</b>							
Fund Manager Fees*	20,539	21,218	24,458	24,458	806	21,000	(3,458)
Custody Fees	31	31	32	32	4	32	0
Performance Monitoring Fees	67	60	93	93	13	93	0
Pooling (Operator / Manager)			190	190	0	400	210
<b>Total Investment Management Expenses</b>	<b>20,637</b>	<b>21,309</b>	<b>24,773</b>	<b>24,773</b>	<b>823</b>	<b>21,525</b>	<b>(3,248)</b>
<b>Administration Expenses</b>							
Employee Costs (Direct)	649	777	893	1247	242	1,247	0
Support & Services Costs (Internal Recharges)	105	113	66	140	0	140	0
Outsourcing	227	394	900	300	0	300	0
IT (Support & Services)	286	364	424	405	412	450	45
Other Supplies & Services)	139	86	63	108	12	108	0
Miscellaneous Income	0	0	0	0	0	0	0
<b>Total Administration Expenses</b>	<b>1,406</b>	<b>1,734</b>	<b>2,346</b>	<b>2,200</b>	<b>666</b>	<b>2,245</b>	<b>45</b>
<b>Employer Liaison Team</b>							
Employee Costs (Direct)	163	205	223	223	56	223	0
<b>Total Costs</b>	<b>23,538</b>	<b>25,208</b>	<b>29,887</b>	<b>29,944</b>	<b>2,151</b>	<b>26,280</b>	<b>(3,664)</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
x	Original item where the period has been moved or task deleted since original business plan

## Governance Tasks

Ref	Key Action –Task	2020/21 Period				Later Years	
		Q1	Q2	Q3	Q4	2021/ 22	2022/ 23
G1	Review against new TPR Singular Modular Code	x		x	x	xM	
G2	Review of governance related policies	x		x	x	x	x
G3	Review appointment of Pension Fund Committee representatives and Local Board members	x	x				x
G4	Develop business continuity plan	x	x	x			
G5	Ensure appropriate cyber-security is in place	x	x	x	x		
G6	Process and internal control review	x	x	x	x	x	

## Governance Task Descriptions

### G1 – Review against new TPR Single Modular Code

#### What is it?

The Pensions Regulator (TPR) is expected to introduce a new Single Modular Code in Summer or Autumn 2020 (subject to consultation). This new Code will merge the existing 15 codes the Regulator has in place. The first iteration of the new 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 could result in changes to the requirements placed on Public Service Pension Schemes, including the LGPS. Work will be undertaken to review whether the Fund complies with the requirements within the new Code. After the initial review, ongoing compliance checks will be carried out on a regular basis.

#### Timescales and Stages

Respond to Singular Modular Code consultation	2020/21 Q1
Review and report the CPF's activity against the new Single Modular Code from the Pensions Regulator	2020/21 Q3 & 4

#### Resource and Budget Implications

This review 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.

### G2– 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 and the due dates for their reviews are as follows:

Policy	Last reviewed	Next review due
Governance Policy and Compliance Statement*	February 2020	February 2023
Risk Policy	May 2016	June 2020
Conflicts of Interest Policy	September 2018	September 2021
Procedure for Recording and Reporting Breaches of the Law	November 2015	As and when deemed appropriate
Training Policy	November 2015	June 2020

CIPFA are shortly to be issuing an updated Code of Practice relating to LGPS Knowledge and Skills. It seems appropriate to defer the review of the Training Policy until that has been issued, so that any changes can be incorporated into the Policy.

## Timescales and Stages

Risk Policy	2020/21 Q1
Training Policy	2020/21 Q3 & Q4
Conflicts of Interest Policy	2021/22
Governance Policy and Compliance Statement*	2022/23

\*The requirements relating to this are currently under national review, so it is possible this may need to be reviewed at an earlier stage due to national changes.

## Resource and Budget Implications

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

## G3 - Review appointment of Pension Fund Committee Representatives and Local Board 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 currently appointments will be subject to review as follows:

- Two scheme employer representatives – July 2020 (five-year point)
- Scheme member representative (trade union) – October 2020 (three-year point)
- Scheme member representative (non-trade union) – February 2023 (three-year point)

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 2014 and may be reappointed for further terms. However their existing appointments will need to be reviewed by July 2020.

## Timescales and Stages

Review and recruit current Pension Board representatives (2 x employer plus trade union scheme representative)	2020/21 Q1 & 2
Review existing Pension Fund Committee representatives (other scheme employers and scheme members)	2020/21 Q1 & 2
Review Pension Board scheme member representative (non-trade union)	2022/23

## 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.

## G4 – Develop business continuity plan

### What is it?

The Fund has carried out a number of tests in recent years to ensure services can continue to be maintained in various scenarios, such as an office fire. It is now necessary to capture the Fund's business continuity plans and processes into one central document, based on the current methods of working, within a central document that will be maintained and subject to further testing.

## **Timescales and Stages**

Develop business continuity plan

2020/21 Q1 to Q3

## **Resource and Budget Implications**

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

## **G5 – Ensure appropriate cyber-security is in place**

### **What is it?**

Cyber risk is considered a key risk to the Fund, as it is to most organisations nowadays. In line with The Pensions Regulator's requirements, work will be carried out to better understand how that risk is being managed in relation to the Fund's member data, assets and other procedures. This will include asking our system providers and suppliers to provide further information in relation to how they are managing cyber risk. After this initial work has been carried out, a process will be put in place to ensure that ongoing checks are carried out.

## **Timescales and Stages**

Investigate areas of potential risk and put in place appropriate processes and checks

2020/21 Q1 to 4

## **Resource and Budget Implications**

To be led by the Head of Clwyd Pension Fund with assistance from the Deputy Head of Clwyd Pension Fund, the Pensions Administration Manager and the Independent Adviser. There may be additional costs if specialist cyber guidance is required.

## **G6 – Process and internal control review**

### **What is it?**

One of the key requirements of The Pensions Regulator is to ensure that appropriate processes and internal controls are in place, and that they are clearly documented. This is also critical for the purposes of business continuity and succession planning.

This project will consist of a number of stages with the ultimate aim of ensuring all key processes are identified and appropriately documented. A key part of this will also be identifying any areas where greater efficiencies can be built in. This will cover all functions carried out by the Fund.

## **Timescales and Stages**

Identify and document all existing processes, identify any gaps or processes that require review and agree priority for developing new or reviewing existing processes

2020/21 Q1 to Q4

Continue with developing new or reviewing existing processes

2021/22

## **Resource and Budget Implications**

This review will be carried out by all teams across the Fund, led by the Pension Fund Accountant. There are not expected to be any additional costs.