

# Business Plan 2021/22 to 2023/24 – Q2 Update

## Governance

### Cashflow projections

	2019/20 £000s	2020/21 £000s	2021/22 £000s			
	Actual	Actual	Budget	Actual	Projected for full year	Final under/over
<b>Opening Cash</b>	(5,764)	(20,237)	(29,760)	(37,078)		
<b>Payments</b>						
Pensions	63,182	64,908	66,600	16,455	66,600	0
Lump Sums & Death Grants	15,486	12,475	16,000	4,151	16,000	0
Transfers Out	4,447	5,901	6,000	961	6,000	0
Expenses	3,863	5,073	5,480	1,103	5,480	0
Tax Paid	107	174	100	0	100	0
Support Services	161	173	180	0	180	0
<b>Total Payments</b>	<b>87,246</b>	<b>88,704</b>	<b>94,360</b>	<b>22,670</b>	<b>94,360</b>	<b>0</b>
<b>Income</b>						
Employer Contributions	(41,665)	(49,282)	(49,000)	(11,161)	(49,000)	0
Employee Contributions	(15,363)	(17,518)	(17,000)	(3,937)	(17,000)	0
Employer Deficit Payments	(19,244)	(14,977)	(15,000)	(13,513)	(15,000)	0
Transfers In	(5,976)	(3,393)	(6,000)	(1,209)	(6,000)	0
Pension Strain	(1,558)	(107)	(1,200)	(828)	(1,200)	0
Income	(92)	(30)	(40)	0	(40)	0
<b>Total Income</b>	<b>(83,898)</b>	<b>(85,307)</b>	<b>(88,240)</b>	<b>(30,648)</b>	<b>(88,240)</b>	<b>0</b>
<b>Cashflow Net of Investment Income</b>	<b>3,348</b>	<b>3,397</b>	<b>6,120</b>	<b>(7,978)</b>	<b>6,120</b>	<b>0</b>
Investment Income	(9,464)	(10,270)	(8,000)	(3,898)	(8,000)	0
Investment Expenses	3,800	3,918	4,000	1,036	4,000	0
<b>Total Net of In House Investments</b>	<b>(2,316)</b>	<b>(2,955)</b>	<b>2,120</b>	<b>(10,840)</b>	<b>2,120</b>	<b>0</b>
<b>In House Investments</b>						
Draw downs	115,114	43,927	66,175	11,089	66,175	0
Distributions	(55,270)	(63,533)	(69,203)	(23,828)	-69,203	0
Net Expenditure /(Income)	59,844	(19,606)	(3,028)	(12,739)	(3,028)	0
<b>Total Net Cash Flow</b>	<b>57,528</b>	<b>(22,561)</b>	<b>(908)</b>	<b>(23,579)</b>	<b>(908)</b>	<b>0</b>
Rebalancing Portfolio	(72,001)	5,720		0		0
<b>Total Cash Flow</b>	<b>(14,473)</b>	<b>(16,841)</b>	<b>(908)</b>	<b>(23,579)</b>	<b>(908)</b>	
<b>Closing Cash</b>	<b>(20,237)</b>	<b>(37,078)</b>	<b>(30,668)</b>	<b>(60,657)</b>	<b>(37,986)</b>	

## Operating Costs

	2019/20	2020/21	2021/22			
	Actual	Actual	Budget	Actual	Projected for full year	Projected under/over
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Governance Expenses</b>						
Employee Costs (Direct)	283	261	326	71	326	0
Support & Services Costs (Internal Recharges)	20	22	24	0	24	0
IT (Support & Services)	2	1	5	0	5	0
Other Supplies & Services)	102	54	97	13	97	0
Audit Fees	38	39	41	0	41	0
Actuarial Fees	465	536	696	121	696	0
Consultant Fees	641	815	942	227	942	0
Advisor Fees	220	576	485	159	485	0
Legal Fees	20	16	40	14	40	0
Pension Board	53	106	91	23	91	0
Pooling (Consultants & Host Authority)	79	101	130	1	130	0
<b>Total Governance Expenses</b>	<b>1,923</b>	<b>2,527</b>	<b>2,877</b>	<b>630</b>	<b>2,877</b>	<b>0</b>
<b>Investment Management Expenses</b>						
Fund Manager Fees*	20,030	16,924	19,915	1,052	19,915	0
Custody Fees	31	69	32	3	32	0
Performance Monitoring Fees	76	67	53	3	53	0
Pooling (Operator / Manager)	292	304	836	0	836	0
<b>Total Investment Management Expenses</b>	<b>20,429</b>	<b>17,364</b>	<b>20,836</b>	<b>1,058</b>	<b>20,836</b>	<b>0</b>
<b>Administration Expenses</b>						
Employee Costs (Direct)	935	1,091	1366	299	1,366	0
Support & Services Costs (Internal Recharges)	151	150	158	0	158	0
Outsourcing	197	6	30	8	30	0
IT (Support & Services)	408	426	515	21	515	0
Other Supplies & Services)	112	119	134	12	134	0
Miscellaneous Income	0	42	0	0	0	0
<b>Total Administration Expenses</b>	<b>1,803</b>	<b>1,834</b>	<b>2,203</b>	<b>339</b>	<b>2,203</b>	<b>0</b>
<b>Employer Liaison Team</b>						
Employee Costs (Direct)	222	199	286	40	286	0
<b>Total Costs</b>	<b>24,377</b>	<b>21,924</b>	<b>26,202</b>	<b>2,068</b>	<b>26,202</b>	<b>0</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	2021/22 Period				Later Years	
		Q1	Q2	Q3	Q4	2022/ 23	2023/ 24
G1	Review against new TPR Single Modular Code	x		x	x		
G2	Develop business continuity arrangements	x	x	x	x		
G3	Ensure appropriate cyber-security is in place	x	x	x			
G4	Review of governance related policies			x		x	x
G5	Outcome of Scheme Advisory Board good governance review		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 Autumn 2021 (subject to consultation in Spring 2021). 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 Single Modular Code consultation	2021/22 Q1
Review and report the CPF's activity against the new Single Modular Code from TPR (estimated)	2021/22 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 – Develop business continuity arrangements

#### *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. Given the COVID-19 pandemic and the like changes to working methods going forward, a review of the Fund's business continuity plans and processes is taking place. This will include:

- development of a high level Business Continuity Policy (to will be considered by the Committee in March 2021)
- a Business Impact Analysis - considering the key business processes, priorities, recovery times and risks
- developing appropriate business continuity plans
- creating a testing schedule
- ongoing work to minimise risks, including documenting processes where gaps were identified as part of the Business Impact Analysis and developing a plan for further staff training.

### *Timescales and Stages*

Develop Business Continuity Policy	2020/21 Q4
Carry out Business Impact Analysis	2021/22 Q1 to Q2
Developing Business Continuity Plan	2021/22 Q2 to Q4
Document processes relating to gaps & identify ongoing training needs	2021/22 Q2 to Q4
Develop Testing Schedule	2021/22 Q3 to Q4

### *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.

## **G3 – 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 TPR's requirements, work will continue in this area to better understand how cyber risk is being managed in relation to the Fund's member data, assets and other procedures. The Fund has performed some initial investigations around how external suppliers intend to manage cyber risk. It is now completing the data and asset mapping to categorise risks and help the Fund plan out further work in this area focussing on the areas of key risk. Following this a process will also be put in place to ensure that ongoing checks are carried out.

### *Timescales and Stages*

Finalise data and asset mapping	2021/22 Q1 to Q2
Establish a programme for completing ongoing work to embed this in business as usual	2021/22 Q3

### *Resource and Budget Implications*

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

## G4 – 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	October 2020	October 2023
Conflicts of Interest Policy	September 2018	September 2021
Procedure for Recording and Reporting Breaches of the Law	November 2018	November 2021
Training Policy	November 2015	Due now*

\*CIPFA are due to issue an updated Code of Practice relating to LGPS Knowledge and Skills, which is currently expected in April 2021. It seems appropriate that any changes are incorporated into the review if the Training Policy, which will therefore continue to be deferred until the updated CIPFA Code is issued.

### Timescales and Stages

Training Policy	2021/22 Q2 & Q3
Conflicts of Interest Policy	2021/22 Q2 & Q3
Procedure for Recording and Reporting Breaches of the Law	2021/22 Q2 & Q3
Governance Policy and Compliance Statement*	2022/23
Risk Policy	2023/24

\*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.

## G5 – Outcome of Scheme Advisory Board good governance review

### What is it?

The national LGPS Scheme Advisory Board (SAB) carried out a project to help and assist with the successful management of potential conflict of interests arising between a pension fund and its parent local authority. It was originally investigating options for change regarding the separation of LGPS pension funds and their host authorities.

The review has now evolved to focus on the elements of good governance, rather than the structure of the organisation. A number of recommendations have been made including ensuring appropriate conflicts of

interest management, knowledge and skills and having a designated LGPS lead officer in each administering authority. The SAB has now made a number of formal recommendations to MHCLG, including the request for MHCLG to issue statutory guidance relating to the areas of best practice identified by the project. SAB will also be undertaking a number of surveys to take forward some of the work and is expected to issue guidance in due course. The actual timescales are estimated and may be delayed due to other national priorities.

### *Timescales and Stages*

Expected period to review existing arrangements against new statutory guidance and/or guidance	2021/22 Q2 to Q4 and 2022/23
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### *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.