

Business Plan 2021/22 to 2023/24 – Q3 Update

Governance

Cashflow projections

	2019/20 £000s	2020/21 £000s	2021/22 £000s			
	Actual	Actual	Budget	Actual	Projected for full year	Final under/over
Opening Cash	(5,764)	(20,237)	(29,760)	(37,078)		
Payments						
Pensions	63,182	64,908	66,600	33,235	66,600	0
Lump Sums & Death Grants	15,486	12,475	16,000	7,543	16,000	0
Transfers Out	4,447	5,901	6,000	1,876	6,000	0
Expenses	3,863	5,073	5,480	2,231	5,480	0
Tax Paid	107	174	100	0	100	0
Support Services	161	173	180	0	180	0
Total Payments	87,246	88,704	94,360	44,885	94,360	0
Income						
Employer Contributions	(41,665)	(49,282)	(49,000)	(24,174)	(49,000)	0
Employee Contributions	(15,363)	(17,518)	(17,000)	(8,445)	(17,000)	0
Employer Deficit Payments	(19,244)	(14,977)	(15,000)	(14,461)	(15,000)	0
Transfers In	(5,976)	(3,393)	(6,000)	(3,507)	(6,000)	0
Pension Strain	(1,558)	(107)	(1,200)	(925)	(1,200)	0
Income	(92)	(30)	(40)	0	(40)	0
Total Income	(83,898)	(85,307)	(88,240)	(51,512)	(88,240)	0
Cashflow Net of Investment Income	3,348	3,397	6,120	(6,627)	6,120	0
Investment Income	(9,464)	(10,270)	(8,000)	(6,635)	(11,000)	(3,000)
Investment Expenses	3,800	3,918	4,000	3,235	7,000	3,000
Total Net of In House Investments	(2,316)	(2,955)	2,120	(10,027)	2,120	0
In House Investments						
Draw downs	115,114	43,927	66,175	33,969	66,175	0
Distributions	(55,270)	(63,533)	(69,203)	(50,323)	(69,203)	0
Net Expenditure /(Income)	59,844	(19,606)	(3,028)	(16,354)	(3,028)	0
Total Net Cash Flow	57,528	(22,561)	(908)	(26,381)	(908)	0
Rebalancing Portfolio	(72,001)	5,720		0	11,000	11,000
Total Cash Flow	(14,473)	(16,841)	(908)	(26,381)	10,092	
Closing Cash	(20,237)	(37,078)	(30,668)	(63,459)	(26,986)	

Operating Costs

	2019/20	2020/21	2021/22			
	Actual	Actual	Budget	Actual to Sept	Projected for full year	Projected under(-) /over(+)
	£000s	£000s	£000s	£000s	£000s	£000s
Governance Expenses						
Employee Costs (Direct)	283	261	326	146	291	(35)
Support & Services Costs (Administering Authority)	20	22	24	0	24	0
IT (Support & Services)	2	1	5	0	5	0
Other Supplies & Services	102	54	97	22	73	(24)
Audit Fees	38	39	41	(7)	41	0
Actuarial Fees	465	504	696	161	680	(16)
Investment Consultant Fees	641	847	942	317	942	0
Governance Advisor Fees	220	576	485	243	485	0
Legal Fees	20	16	40	14	40	0
Pension Board	53	106	91	66	91	0
Pooling (Host and Consultant Costs)	79	101	130	22	133	3
Miscellaneous Income	0	0	0	(12)	0	0
Performance Monitoring Fees	76	67	53	6	53	0
Total Governance Expenses	1,999	2,594	2,930	978	2,858	(72)
Investment Management Expenses						
Fund Manager Fees	20,030	16,924	19,915	3,260	19,915	0
Custody Fees	31	69	32	13	32	0
Wales Pension Partnership Investment Costs	292	304	836	0	836	0
Total Investment Management Expenses	20,353	17,297	20,783	3,273	20,783	0
Administration Expenses						
Employee Costs (Direct)	935	1,091	1,366	581	1,217	(149)
Support & Services Costs (Administering Authority)	151	156	158	0	158	0
Outsourcing	197	42	30	15	60	30
IT (Support & Services)	408	426	515	39	515	0
Other Supplies & Services)	112	119	134	26	129	(5)
Total Administration Expenses	1,803	1,834	2,203	661	2,079	(124)
Employer Liaison Team						
Employee Costs (Direct)	222	199	286	105	267	(19)
Total Employer Liaison Team	222	199	286	105	267	(19)
Total Costs	24,377	21,924	26,201	5,016	25,986	(215)

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	xM	
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	
G6	Effectiveness survey			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.

G6 – Effectiveness Survey

What is it?

It is generally accepted that the effectiveness of governance arrangements should be considered regularly given the impact these can have on the management of the Fund (financially and otherwise). The Fund's Independent Adviser provides an annual report on the effectiveness of the Fund's governance arrangements. Feedback is also received through other routes including from the Pensions Board. However Myners' Principles highlight the need for self-assessment by both officers and members of a Committee. Accordingly, an effectiveness survey of the Committee, Board members and key officers will be undertaken. This will provide members with an opportunity to share their views on the governance arrangements for the Fund. This will also be timely given the requirements from the SAB good governance review.

Timescales and Stages

Undertake an effectiveness survey	2021/22 Q3
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Resource and Budget Implications

This review will be performed by the Independent Adviser. Costs of the review will be included within the relevant year's budget.