

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
28 March 2024

WILTSHIRE PENSION FUND BUSINESS PLAN & BUDGET

Purpose of the Report

1. This report seeks Members' approval for the Business Plan and Budget for the Wiltshire Pension Fund, as shown in the attached Appendices.

Business Plan

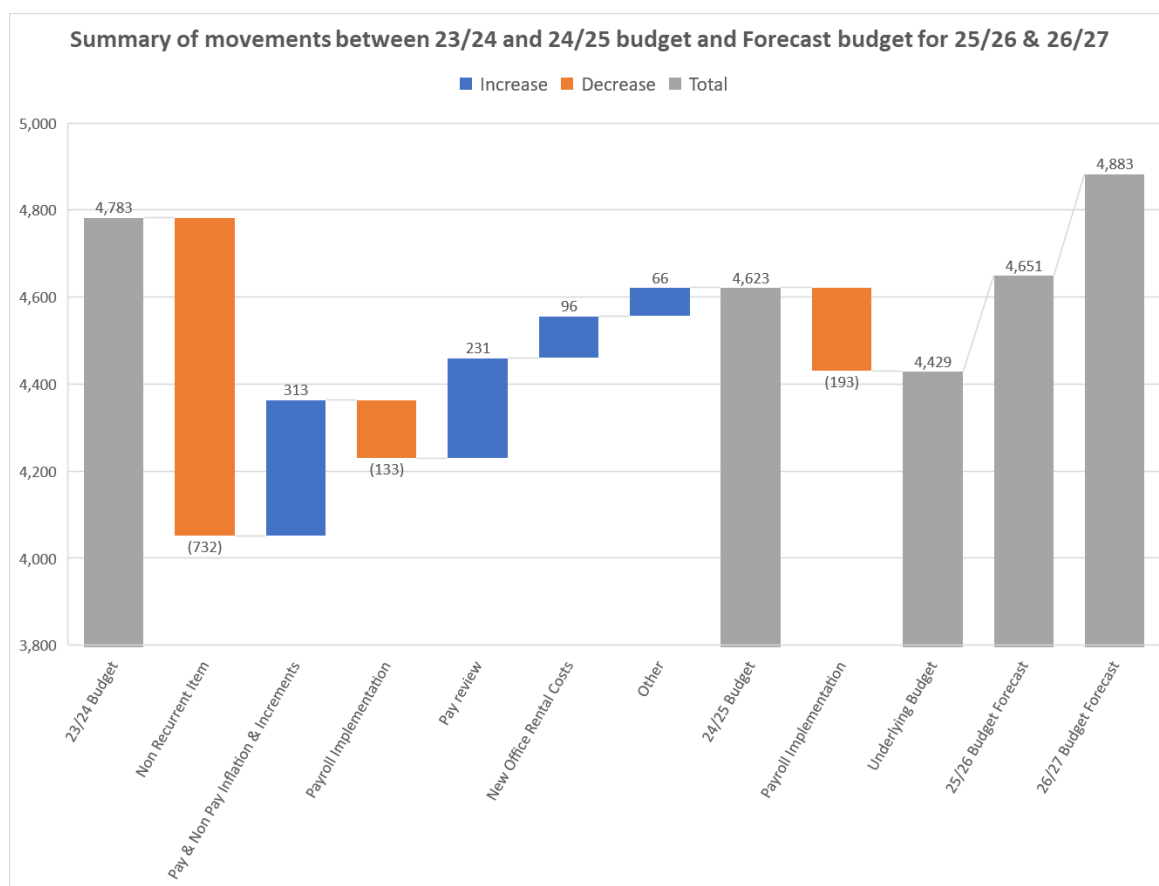
2. For the last two years, the Committee have approved one-year business plans, as there was a need to identify why we were not delivering the service to the required standards, and to put in place some actions which were designed to tackle high-impact areas and put in place the foundations for a proper improvement plan.
3. Over the last year, a significant amount of progress has been made (although not all actions in last year's Business Plan were achieved, as set out in the HAM report). One such important achievement was the Committee's approval of a KPI Improvement Plan. Officers believe that we are now in a position to set out a three-year plan which can take us to a place where we are delivering against our vision and objectives. The draft Business Plan 24/27 is attached as Appendix 1 for the Committee's review and approval.
4. The Business Plan has been structured slightly differently this time in order to represent the longer period of time over which it will be implemented. Ownership for each section of the plan has been given to senior managers within the Pension Fund team, covering the following areas:
 - a) Service delivery
 - b) Investments and Accounting
 - c) Operations (including systems, payroll and self-service functionality)
 - d) Stakeholder engagement
 - e) Governance
 - f) People/resourcing
5. Each section sets out the aims, the actions that we will continue, the actions that we will implement, and measures of success. At the end of the Business Plan, the final section summarises the key measures of success across the whole Fund. We intend to report against the measures to the Local Pension Board and Committee each quarter.
6. Once approved, the Business Plan 24/27 will be graphically designed and read by the entire WPF team and used by managers as an engagement tool. We will review progress each quarter at our whole fund meetings.
7. The Business Plan 24/27 includes a short foreword from the team to state the officers' commitment to delivering against the objectives in the plan. It would also be beneficial to include a short foreword from the Committee, and some draft wording is suggested as follows. Members are invited to review this wording and amend it as appropriate for inclusion in the final version:
 - a) As a Committee, we have a fiduciary duty to act in the best interests of our beneficiaries, and we work tirelessly to represent the interests and requirements

of our valued c.180 employer organisations and >85,000 members. Over the last two years, the Committee members have demonstrated their commitment to identifying and resolving the legacy issues facing the Fund, as well as looking forward, with a goal of setting the Fund up for success into the future. We will continue to support the Fund's officers in facing the problems and delivering the required improvements. We have discussed various models for delivery of the administration service, and our vision is for a best-in-class service, delivered by a skilled and resilient in-house team. We are in full support of this 3-year plan, and believe that successful achievement of the actions set within the plan will secure a sustainable future for Wiltshire Pension Fund, and deliver value for money for our beneficiaries.

8. Risks to not achieving the plan: the areas of the Business Plan 24/27 which represent the greatest issues are "Service delivery" and "People". As explained when the KPI Improvement Plan was reviewed and approved, delivery of this will only be possible with the correct resourcing in place. Significant work is being done, exploring multiple different avenues, to resolve the current issues that persist within the team, however elements of this area are somewhat out of our control. As we progress with this area, officers will report back progress to the Committee, as delays in resolving the resourcing issues will put pressure on achieving other areas of the plan.
9. The next section of this report sets out the budget required to deliver against the Business Plan 24/27. In preparing the budget, there has been a strong focus on controlling costs and delivering value for money, alongside investment in the areas required to deliver against the Business Plan 24/27.

Key features of the proposed 2023/24 budget

10. The total budget proposal for 2024/25 is for an operational budget of £4,623k, this is a decrease of £160k (3.3%) from the prior year.
11. On a £'s per member basis the 2024/25 budget is £51, a decrease of £3 compared to the prior year. On the underlying budget, which excludes one off costs, the cost per member is £49.
12. The following graph shows the key movements between the 2023/24 and 2024/25 budget and the underlying budget. A forecast has also been included of costs for the next two financial years based on a 5% annual increase in fund costs.



Key year on year movements

13. Details of the key movements from 2023/24 budget to 2024/25 budget:
 - a) *Non recurrent items*: A key driver of the year-on-year reduction has been large outsourced projects coming to an end, Payroll Reconciliation project, Backlog clearance and integrated payroll implementation.
 - b) *Pay and Non-Pay Inflation and Increments*: See details in the budget setting process section on these costs.
 - c) *Payroll Implementation*: This is the reduction in running costs from bringing the legacy payroll into the pension fund team. This reduction assumes that the payroll is run by Wiltshire Council for 6 months, the saving is not paying for 6 months of the Council payroll service partially offset by an additional payroll officer.

- d) *Pay Review*: This is an additional 10% increase to the overall pay budget to cover the outcome and recommendations from the pay benchmarking work.
- e) *New Office Rental Costs*: The annual cost of the new office space in County Hall for the pension fund team, as agreed by Committee in 2023/24.
- f) *Other*: This includes the increase to external audit fee's which are agreed through the national framework, additional risk budget to cover key uncertainties in 2024/25, additional costs to deliver staff training, offset by savings from review of pay and non-pay items

14. The 2024/25 budget is then reduced further to the underlying budget figure. This aims to provide a figure for the ongoing regular running costs for the pension fund. The key item which reduces the 2024/25 budget to the underlying figure is removing the 6 months of the council payroll service charge.

Key Budget Risks

15. The following items are key risks to the budget that has been set:

- a) The pay award for 2024/25 has not been set and is subject to negotiation, the budget provides for a 4.5% pay award, anything agreed above this would be a cost pressure to the fund.
- b) The budget plans for the legacy payroll being run by the Council transferring to the pension fund team from October 2024. Any delay to this date would cause additional costs of £28k per month.
- c) Several large contracts are due for retender in 2024/25, investment advisor and actuary. The outcome of these procurement processes could result in increased costs for the fund. Value for money against these new contracts will be ensured during the procurement process.

16. To ensure the fund sets a prudent budget a risk budget of £113k has been set to cover these potential risks and to cover any other unexpected costs. If the risks do not materialise the fund would expect to underspend its budget.

Budget setting process

17. The key assumptions used in setting the budget:

- a) Non pay inflation at 8.9% based on the latest September inflation measure.
- b) Pay Inflation – Pay inflation of 4.5% Pay inflation assumption is in line with the Council.
- c) Pay increments - cost to the fund 2.2% increase in pay, confirmation from the Council that the increment freeze has ended.

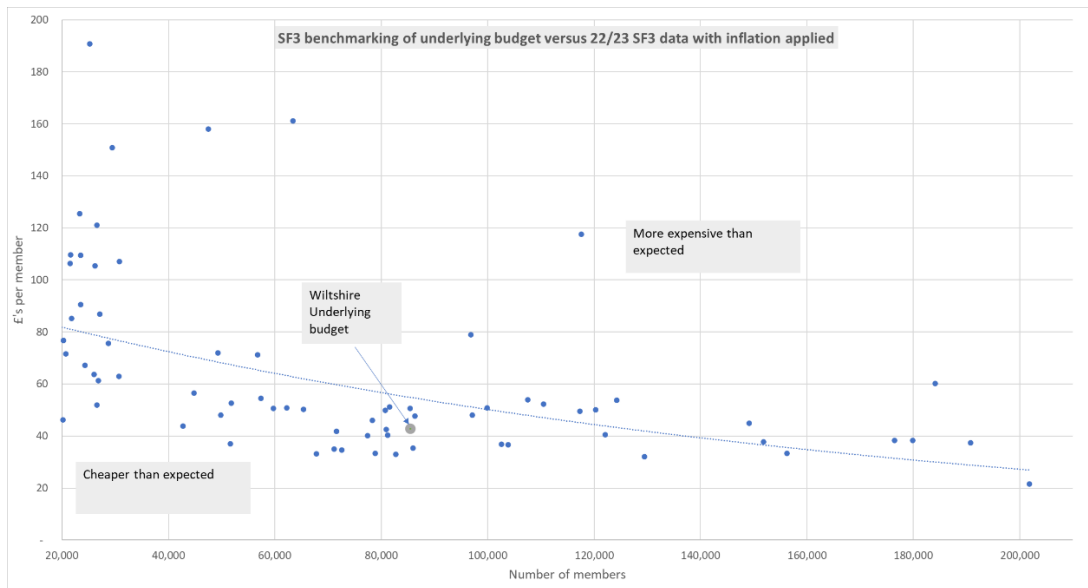
18. Staffing costs are based on the current structure, all roles have been confirmed with managers.

19. All non-pay costs and costs for key contracts have been reviewed by managers with oversight for each area. Savings have been identified where possible to keep running costs per member down.

Benchmarking

20. A key performance indicator for the fund is benchmarking the funds underlying operating cost per member (excluding investment costs) relative to other LGPS funds of a similar size. The latest benchmarking data is available for year ending March 2023. The cost per member from this period has been inflated to make it comparable to the 2024/25 budget being presented here. The following graph shows the proposed budget for 2024/25 being

cheaper than expected given the trend line of LGPS fund costs and in the pack of other funds of a similar size.



Investment management fees and related costs

21. The fees and costs for managing the investment portfolios are reported separately, following the year end (i.e. in the next cycle of Committee meetings). These costs are dependent on asset values and so are difficult to predict and budget. The costs and savings of pooling are monitored regularly and reporting to the Committee on a quarterly basis.
22. The costs of implementing investment pooling are set out in the Brunel Pension Partnership budget. This budget developed in consultation with clients, reviewed by the Brunel Oversight Board, and then formally approved by a Special Reserve Matter. The costs of Brunel are reported separately to the Funds operating budget.

Budget Monitoring 2023/24

23. As flagged through the key financial controls report, the issues experienced with the new Oracle system prevented reporting against the operating budget for 2023/24. As soon as this reporting functionality returns it will be reported to the Committee through the Key financial controls report.

Environmental Impact of the Proposal

24. There are no direct, known environmental impacts from these proposals, although the effect of climate risk on the Fund's investments, and steps to mitigate this risk for the financial benefit of the Fund, is dealt with as part of the business plan.

Safeguarding Considerations/Public Health Implications/Equalities Impact

25. There are no known implications at this time.

Risk Assessment

26. The approval of this budget is essential to continue the good governance of the Fund, and to deliver improvements which have been identified as high priority by independent assessments. When viewed in relation to the overall value of assets, these controllable costs represent 0.16% of the total Fund value.
27. In line with good governance practice, officers will bring budget monitoring reports back to Committee quarterly.

Proposals

28. The Committee is asked to:
- a) Approve the Business Plan 24/27, including the Committee's foreword.
 - b) Approve the Pension Fund operating budget for 2024/25 of £4.623m (0.14% of total fund value).

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Unpublished documents relied upon in the production of this report: NONE

Appendices

Appendix 1 – Draft Business Plan 24/27