

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
23 March 2023

WILTSHIRE PENSION FUND BUDGET 2023/24

Purpose of the Report

1. This report seeks Members' approval for the 2023/24 Business Plan and Budget for the Wiltshire Pension Fund, as shown in the attached Appendices.

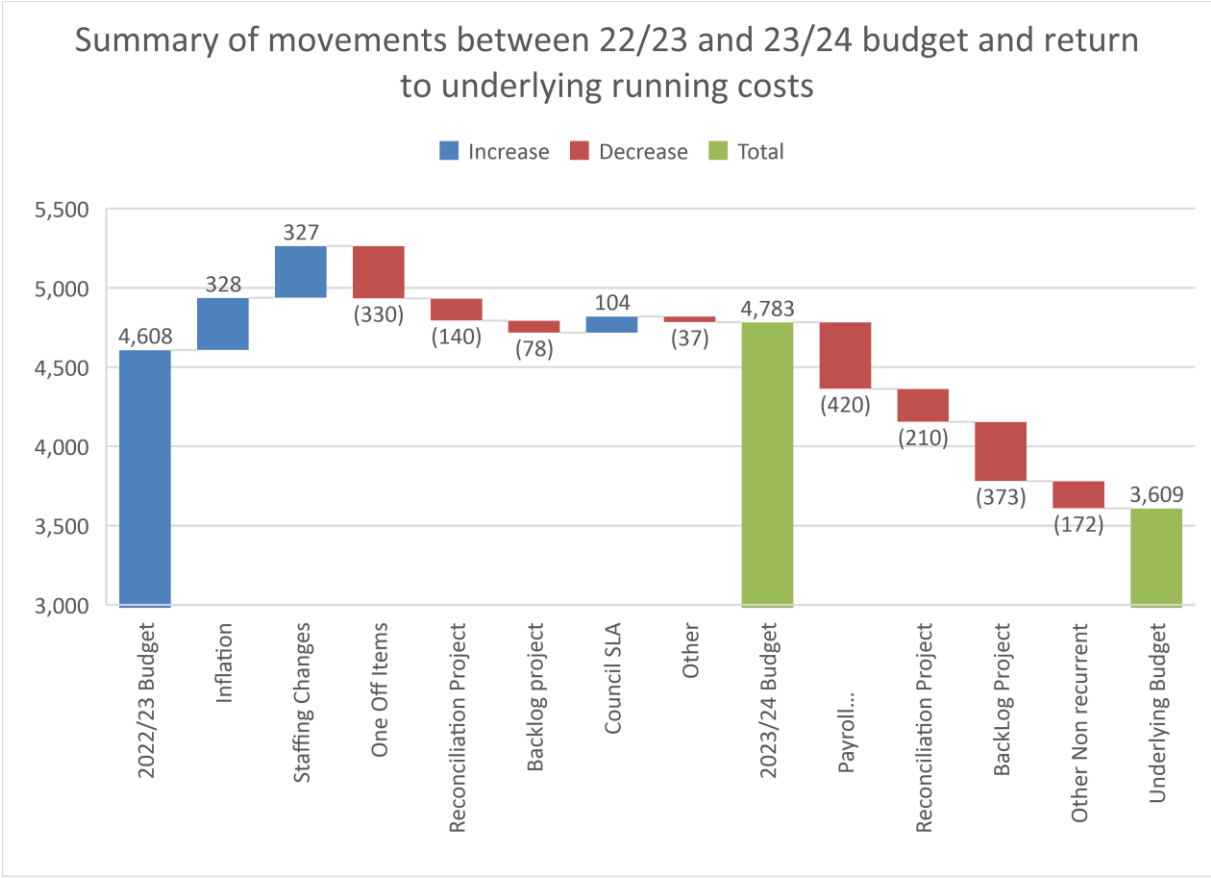
Background

2. In the business plan for 2022/23, it was stated that consideration would be given to setting a three-year business plan for 2023 onwards. As will be explained through the attached presentation (Appendix 2), this has been considered and it has been concluded that this is not possible at the current time. This is due to the nature and compounding of the issues faced. 2023/24 will need to be another year of investigating the issues, tackling the top priorities, and putting in place the foundations for a programme of improvements in the future.
3. The business plan places a strong focus on service delivery, but also contains specific sections on investments, governance, and digital & customer engagement. The priorities which will be tackled in 2023/24 are:
 - a) Resourcing
 - b) iConnect and controls
 - c) Aggregation backlog
4. These top three areas have been selected as being critical to resolve in order to deliver improvements. This will be explained more fully during the presentation in Appendix 2. The draft business plan for 2023/24 is included in Appendix 4.
5. As well as explaining the new business plan, progress made against the actions in the 2022/23 business plan are included in Appendix 3. As a summary, progress against the 25 action in the 2022/23 plan was as follows:
 - a) 18 actions were fully completed.
 - b) 5 actions were partially completed or intentionally postponed.
 - c) 2 actions were not completed:
 - I. Completing iConnect onboarding – this is a priority area in the 2023/24 business plan. Work will initially need to focus on ensuring proper checks are done on iConnect data and embedding a new way of working, before attention can return to onboarding the remaining employers.
 - II. Completing a KPI improvement plan – due to the complex issues, it was not possible to prepare a fully costed plan which the team would be able to have conviction in. The business plan for 2023/24 proposes actions which will put us in a position where this becomes a possibility.
6. The business plan refers to completing the actions in the Responsible Investment Plan for 2023/24. The Committee approves a responsible investment plan on an annual basis, and the newest version is included in Appendix 5, for review and approval.

- 7. The budget for 2023/24 is based on a roll-forward of the 2022/23 budget, adjusted for inflation, the new team structure, and one-off costs. Detail explaining how the 22/23 budget has evolved to the 23/24 budget is shown below, as well as the full-year effect of the 2023/24 budget once one-off costs etc fall away. The budget is shown in Appendix 1.
- 8. It is important to note that as the year progresses, it may be necessary to adjust the budget. If this is needed, Committee approval will be sought before anything is committed to.

Key features of the proposed 2023/24 budget

- 9. The total budget proposal for 2023/24 is for an operational budget of £4,783k, this is an increase of £175k (3.8%) from the prior year. After excluding large one-off items included in the 2023/24 budget the underlying running costs for the fund are estimated to be £3,609k. The operational budget excludes investment manager fees, including the cost of Brunel Pension Partnership.
- 10. On a £’s per member basis the 2023/24 budget is £55, an increase of £2 from last years’ budget. On the underlying budget the cost per member is £41.
- 11. The following graph shows the key movements between the 2022/23 and 2023/24 budget and the effect of removing the one-off items to identify the underlying budget.



The key assumptions used in setting the budget:

- a) Non pay inflation at 10% on key contracts based on recent inflation measures.
- b) Pay Inflation – Based on the latest pay award offer as at February 2023 of a fixed £1,925k increase for all grades.
- c) Staffing – based on the new structure following the recent consultation.

12. This budget proposal includes large one-off costs for ongoing projects which have been carried forward from the prior year budget.

- a) Payroll Reconciliation project: Total cost of the project £350k, £210k of costs included in the 23/24 budget.
- b) Backlog Outsourcing: Total cost of the project £450k, £373k of costs included in the 23/24 budget.
- c) Payroll implementation: The two new payroll posts have been included in the staffing structure £81k. In addition the charge from the council for the payroll service £315k and set up costs of the new payroll £105k are all included for 23/24.

Investment management fees and related costs

13. 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.

14. 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 (requiring signature by all 10 shareholder funds).

Budget Monitoring 2022/23

15. The forecast outturn for 2022/23 is shown within the Key Financial Controls report, elsewhere on this agenda.

Environmental Impact of the Proposal

16. 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

17. There are no known implications at this time.

Risk Assessment

18. 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.

19. In line with good governance practice, officers will bring budget monitoring reports back to Committee quarterly.

Proposals

20. The Committee is asked to:

- a) Approve the Business Plan 2023/24, including the actions for the year.
- b) Approve the Pension Fund budget for 2023/24 shown in Appendix 1 totalling £4.783m (0.16% of total fund value).

ANDY BROWN

Treasurer to the Pension Fund

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

Appendices

Appendix 1 – Pension Fund Budget 2023/24

Appendix 2 – Presentation on the Fund's Business Plan 2023/24

Appendix 3 – Progress against the Business Plan 2022/23 actions

Appendix 4 – Pension Fund Business Plan 2023/24

Appendix 5 – Responsible Investment Plan 2023/24

Appendix 1 - Pension Fund Budget 2022/23

Wiltshire Pension Fund Budget 2022/23

£000's	Prior Year			2023/24				Underlying Budget
	2019/20	2020/21	2021/22	2022/23 Budget	2023/24 Budget	Change to Prior Year	% Change	
Investment administration staffing costs	119	114	206	198	245	47	24%	245
Investment administration travel/conferences/training costs	0	2	4	8	8	0	2%	8
Total investment administration costs	120	116	210	206	253	47	23%	253
Pension scheme administration staffing costs	996	1,036	1,152	1,267	1,672	404	32%	1,672
Staff training	19	22	18	28	22	(6)	-23%	22
Corporate charges	311	311	311	311	515	204	65%	201
Pension administration systems and data cleansing	310	354	328	622	618	(3)	-1%	454
Other administration costs	107	51	28	970	777	(193)	-20%	188
Total scheme administration costs	1,743	1,775	1,838	3,199	3,604	405	13%	2,536
Oversight & governance staffing costs	246	180	225	238	266	28	12%	266
Training and conferences	8	0	24	28	30	3	10%	30
Subscriptions, memberships and levies	34	32	44	36	39	4	10%	39
Actuarial services	214	154	147	319	156	(163)	-51%	156
Audit	10	37	27	83	91	8	10%	91
Legal fees	13	11	48	49	39	(11)	-22%	39
Advisory fees	142	196	276	279	233	(46)	-16%	160
Corporate charges & other costs	149	165	144	146	47	(99)	-68%	47
Total oversight & governance costs	815	775	936	1,178	902	(277)	-23%	828
Local Pension Board costs	14	14	15	25	24	(1)	-3%	24
Total operational running costs	2,692	2,679	2,998	4,608	4,783	175	3.8%	3,641
Number of Members	80,824	82,454	82,454	82,454	82,454			82,454
Total Running Cost per member (Admin & Governance)	£ 31.83	£ 31.09	£ 33.82	£ 53.39	£ 54.94			£ 41.09