

**REPORT TITLE: Gloucestershire Pension Fund Business Plan 2024-25**

<b>Meeting:</b>	Pension Committee
<b>Date:</b>	29 February 2024
<b>Item Type:</b>	For decision
<b>Purpose of Report:</b>	Good governance of the Pension Fund is critical for long-term sustainability for its members and the participating Employers, therefore, the purpose of the Business Plan for 2024/25 is to provide details on the Fund’s objectives, key areas of activity and operational budget for 2024/25.
<b>Recommendations or Actions Sought:</b>	That the Committee approve the Business Plan and operational budget for 2024/25.
<b>Background Documents:</b>	The Pensions Committee last received a Business Plan for 2023/24 at its meeting on the 2 March 2023. The report and related minutes can be found on the following link.  <a href="https://www.gloucestershire.gov.uk/agenda-for-pension-committee-on-thursday-2-march-2023-10.00-am">Agenda for Pension Committee on Thursday 2 March 2023, 10.00 am (gloucestershire.gov.uk)</a>
<b>Appendices:</b>	Appendix 1 – Business Plan 2024/25
<b>Contact Information (For information on the report)</b>	Matthew Trebilcock Head of Pensions – 01452 328920

## **Introduction**

The Fund's Business Plan for 2024/25, covers the Fund's objectives, key areas of activity and budget for 2024/25.

Good governance of the Pension Fund is critical for long-term sustainability for its members and the participating Employers, therefore, the purpose of the Business Plan is to:

- explain the background and objectives for the management of the Gloucestershire Pension Fund
- document the priorities and improvements to be implemented by the Pension Fund over the next year to help achieve those objectives
- enable progress and performance to be monitored in relation to those priorities
- provide stakeholders with a clear vision

In addition, the Business Plan includes a budget for expected payments from the Gloucestershire Pension Fund over the period, including the resources required to manage the Fund.

The proposed Business Plan for 2024/25 is attached as appendix 1 to this report

### **Priorities for 2024/25**

It is proposed to focus on 5 key areas in addition to the normal activities of the Fund. The details are contained in the business plan, but to summarise these core projects are:

- TCFD reporting
- Transformational Member Experience (TME)
- Employer Portal (i-Connect)
- McCloud
- TPR – General Code of Practice

In addition, the following are some of the other potential areas which will need to be managed or responded to, some of which may necessitate a review of the aims, objectives, and governance of the Fund:

- Consultation and/or regulations in relation to Investment Pooling.
- Implementation of the anticipated Good Governance review recommendations

## **Budget 2024/25**

Overall, there is a proposed increase of £0.356m to the Fund's operational budget from £4.924m to £5.279m, which equates to a 7.2% increase. The proposed budget makes allowance for the inflationary pressures currently being experienced by the Fund, and ensures appropriate resources are operationally available as the Fund continues to grow.

The budget has been produced based upon the CIPFA accounting guidelines, so it replicates the information contained in the Funds Annual Report and Accounts. The financial performance against this budget is closely monitored by Officers and reported to Committee accordingly.

The budget excludes investment management and performance fees which the Fund will incur throughout the year in managing its investment portfolio. Given that these costs are dependent on performance, asset valuation, or transactional activity they are by nature very difficult to predict for budgetary purposes and have therefore been excluded. However, these fees and charges, are closely monitored and reconciled as part of the year end reporting process and are challenged with appropriate fund managers and Brunel as appropriate and separately reported annually, fully in line with the Cost Transparency Initiative (CTI) reporting framework and are considered alongside investment returns.

The budget continues to make provision for the appointment of actuarial services and external partners together with investment consultants required for the implementation of the social affordable housing portfolio, in addition to specific monitoring and evaluation assistance required for the Fund's financial performance and responsible investment purposes, which will be necessary to produce the fund's first taskforce for climate-related financial disclosures (TCFD) report which is due to be published later in 2024.

The budget also makes appropriate provision for the implementation of the training strategy for Committee and Board members as required to ensure compliance with the CIPFA knowledge and skills framework.

The proposed budget for 2024/25 is detailed in the following table which also provides comparison with the 2023/24 budget:

Gloucestershire Pension Fund - Proposed Budget 2024-25					
	Revised Budget 2023-24	Proposed Budget 2024-25	In Year Change	Percentage Change	Assumptions Notes
	£ 000	£ 000	£000	%	
<b>Administrative Expenses</b>					
Staff Costs	1,513	1,583	70	4.6%	1
Premises	75	75	-	0%	
IT	500	600	100	20.0%	2
Supplies & Services	400	412	12	3.0%	
Other Central Costs	85	110	25	29.4%	3
<b>Total Administrative Expenses</b>	<b>2,573</b>	<b>2,780</b>	<b>207</b>	<b>8.1%</b>	
<b>Oversight &amp; Governance Expenses</b>					
Staff Costs	251	262	12	4.6%	1
Audit Fees	65	95	30	46.2%	4
Actuarial Fees	300	320	20	6.7%	5
Pension Committee/Board	40	40	-	0.0%	
Performance Monitoring Service	135	135	-	0.0%	
Investment Consultancy	150	150	-	0.0%	
Other Professional Fees	150	150	-	0.0%	
<b>Total Oversight &amp; Governance Expenses</b>	<b>1,091</b>	<b>1,152</b>	<b>62</b>	<b>5.6%</b>	
<b>Income</b>					
Recoveries for services provided	-100	-120	-20	20.0%	6
<b>TOTAL IN HOUSE COSTS</b>	<b>3,564</b>	<b>3,812</b>	<b>249</b>	<b>7.0%</b>	
<b>Budgeted Investment Management Expenses</b>					
Brunel Contract Costs	1,260	1,362	102	8.1%	7
Custody Fees	75	80	5	6.7%	
Tax & Legal Costs	25	25	-	0.0%	
<b>Total Budgeted Investment Management Expenses*</b>	<b>1,360</b>	<b>1,467</b>	<b>107</b>	<b>7.9%</b>	
<b>TOTAL PENSION FUND BUDGET</b>	<b>4,924</b>	<b>5,279</b>	<b>356</b>	<b>7.2%</b>	
<p><b>* Additional Portfolio Investment management fees and related costs</b>  Due to the nature of additional management fees and associated costs being linked to asset valuations, performance and transactions undertaken, they are very difficult to predict and budget for. Whilst these costs are not included within the above budget, they are however, fully reconciled and monitored and are reported to Committee separately as part of the Year end reporting process.</p>					

Specific notes as referenced on the table above, provides more information on the basis of the assumptions made within the budget proposals are detailed below:-

**Note 1 - Staffing**

The proposed budget makes allowance for a pay inflationary increase of an estimated 3%, which is in line with the Current County Council budget assumptions for 2024/25 currently being considered. The award of the pay increase is agreed nationally and therefore cannot be controlled by the Fund.

A realignment following the settlement of the national APTC 2023/24 pay award, which was more than the initial budget provision is also necessary which equates to a further 1.6% increase.

**Note 2 – IT Costs**

It is proposed that the ICT budget allocation is increase by £100k, to £600k. This increase not only reflects the additional operational costs incurred following the approval of additional administrative staff, but also reflects the ongoing proposed improvements to the administrative system (Altair) and the availability of pension information on-line to our membership, approved by Committee following a recent retendering exercise.

**Note 3 – Other Central Costs**

It is anticipated that the central support costs recharged from the County Council will increase for 2024/25 following the approval of additional staffing within the Fund, as these costs are calculated on a cost per employee.

**Note 4 – Audit Fees**

Following the national retender of external audit services within the public sector by the Public Sector Audit Appointments Ltd (PSAA) applicable from 2023/24, standard fees applicable to the Fund have increased. It is hoped that the new contract arrangements will remove the requirement for additional fees to be claimed for services above the standard fee structure, which should provide more clarity for the Fund going forward. The budget also includes a contingency of £15k for the appointment of internal audit service reviews should this service being required throughout the year.

**Note 5 – Actuarial Fees**

It is proposed to increase the budget allocation for actuarial services by £20k , to reflect the additional activity required by the fund as it continues to grow. This budget also reflects the increase in additional services provided to employers within the Fund for accounting and admitted body status requirements. These costs are normally recharged to these employers, which will result in an increase in income for the Fund. (see Note 6)

**Note 6 – Income Recoveries for Services Provided**

As a result of additional requests being received from the Fund's employers for both actuarial and legal services, it is proposed that the income budget is increased accordingly by £20k. Legal services are normally applicable when new contractual arrangements are initiated with Admitted bodies joining the Fund. Actuarial services provided to employers for valuation purposes for accounting regulations are also fully recharged to the employer.

**Note 7 – Brunel Pension Partnership**

The budget allows for an increase in the Brunel operational budget currently being considered by shareholders. This equates to an approved increase of 9.9% (Including custodian and performance monitoring costs) reflecting the continuation of the People Strategy, proposed operational development and improvements of the operating model used within the partnership together with anticipated additional costs associated in managing the private market platform, which is currently being retendered. It is anticipated that these proposed improvements will enhance the reporting capabilities within the partnership and benefit the Fund in monitoring its investments and associated environmental, social and governance (ESG) performance.

**Reviewing and monitoring**

The Business Plan is formally reviewed and agreed every year. However, throughout the year it is monitored by officers and progress is reported to Committee through the quarterly Governance & Operations Fund update.