

Business Plan 2020/21 to 2022/23 – Q3 Update

Governance

Cashflow projections

	2018/19 £000s	2019/20 £000s	2020/21 £000s			
	Actual	Actual	Budget	Actual	Projected for full year	Final under/over
Opening Cash	(21,188)	(5,764)	(23,800)	(20,237)		
Payments						
Pensions	59,447	63,182	67,800	48,634	64,984	(2,816)
Lump Sums & Death Grants	14,708	15,486	16,000	8,922	12,922	(3,078)
Transfers Out	6,791	4,447	6,000	4,863	6,463	463
Expenses	4,263	3,863	5,200	3,996	5,328	128
Tax Paid	0	107	100	167	167	67
Support Services	265	161	170	0	170	0
Total Payments	85,474	87,246	95,270	66,582	90,034	(5,236)
Income						
Employer Contributions	(39,554)	(41,665)	(44,000)	(37,126)	(49,501)	(5,501)
Employee Contributions	(14,794)	(15,363)	(16,000)	(12,630)	(16,840)	(840)
Employer Deficit Payments	(18,811)	(19,244)	(14,000)	(15,015)	(14,937)	(937)
Transfers In	(4,220)	(5,976)	(6,000)	(2,747)	(3,747)	2,253
Pension Strain	(1,644)	(1,558)	(1,200)	(8)	(508)	692
Income	(45)	(92)	(40)	(27)	(33)	7
Total Income	(79,068)	(83,898)	(81,240)	(67,553)	(85,566)	(4,326)
Cashflow Net of Investment Income	6,406	3,348	14,030	(971)	4,468	(9,562)
Investment Income	(7,990)	(9,464)	(8,000)	(7,847)	(10,447)	(2,447)
Investment Expenses	3,593	3,800	4,000	3,009	4,009	9
Total Net of In House Investments	2,009	(2,316)	10,030	(5,809)	(1,970)	(12,000)
In House Investments						
Draw downs	91,883	115,114	70,403	33,108	44,108	(26,295)
Distributions	(58,348)	(55,270)	(78,672)	(37,596)	(48,596)	30,076
Net Expenditure /(Income)	33,535	59,844	(8,269)	(4,488)	(4,488)	3,781
Total Net Cash Flow	35,544	57,528	1,761	(10,297)	(6,458)	(8,219)
Rebalancing Portfolio	(20,120)	(72,001)		7,654	7,654	7,654
Total Cash Flow	15,424	(14,473)	1,761	(2,643)	1,196	
Closing Cash	(5,764)	(20,237)	(22,039)	(22,880)	(19,041)	

Operating Costs

	2018/19	2019/20	2020/21				
	Actual	Actual	Budget	Revised Budget	Actual	Projected for full year	Projected under/over
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Governance Expenses							
Employee Costs (Direct)	193	283	323	323	196	265	(58)
Support & Services Costs (Internal Recharges)	23	20	24	24	0	24	0
IT (Support & Services)	0	2	5	5	1	5	0
Other Supplies & Services)	64	102	82	82	36	82	0
Audit Fees	39	38	41	41	7	41	0
Actuarial Fees	407	465	641	641	368	471	(170)
Consultant Fees	598	641	859	859	612	854	(5)
Advisor Fees	436	220	337	524	399	504	(20)
Legal Fees	57	20	41	41	0	20	(21)
Pension Board	58	53	73	88	59	86	(2)
Pooling (Consultants & Host Authority)	85	79	119	120	19	120	0
Total Governance Expenses	1,960	1,923	2,545	2,748	1,697	2,472	(276)
Investment Management Expenses							
Fund Manager Fees*	21,218	20,030	24,458	24,458	2,825	21,000	(3,458)
Custody Fees	31	31	32	32	12	32	0
Performance Monitoring Fees	60	76	93	93	36	66	(27)
Pooling (Operator / Manager)		292	190	190	0	400	210
Total Investment Management Expenses	21,309	20,429	24,773	24,773	2,873	21,498	(3,275)
Administration Expenses							
Employee Costs (Direct)	777	935	893	1,247	803	1,091	(156)
Support & Services Costs (Internal Recharges)	113	151	66	140	0	140	0
Outsourcing	394	197	900	300	41	71	(229)
IT (Support & Services)	364	408	424	405	422	450	45
Other Supplies & Services)	86	112	63	108	84	108	0
Miscellaneous Income	0	0	0	0	0	0	0
Total Administration Expenses	1,734	1,803	2,346	2,200	1,350	1,860	(340)
Employer Liaison Team							
Employee Costs (Direct)	205	222	223	223	154	205	(18)
Total Costs	25,208	24,377	29,887	29,944	6,074	26,035	(3,909)

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

Ref	Key Action –Task	2020/21 Period				Later Years	
		Q1	Q2	Q3	Q4	2021/ 22	2022/ 23
G1	Review against new TPR Singular Modular Code	x		x		xM	
G2	Review of governance related policies	x		x	x	xM	x
G3	Review appointment of Pension Fund Committee representatives and Local Board members	x	x				x
G4	Develop business continuity plan	x	x	x			
G5	Ensure appropriate cyber-security is in place	x	x	x	x		
G6	Process and internal control review	x	x	x	x	x	
G7	Effectiveness survey				x	xM	
G8	Outcome of Scheme Advisory Board separation/efficient governance review					x	

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 Summer or Autumn 2020 (subject to consultation). 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 Singular Modular Code consultation	2020/21 Q1
Review and report the CPF's activity against the new Single Modular Code from the Pensions Regulator	2020/21 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– 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	May 2016	June 2020
Conflicts of Interest Policy	September 2018	September 2021
Procedure for Recording and Reporting Breaches of the Law	November 2015	As and when deemed appropriate
Training Policy	November 2015	June 2020

CIPFA are shortly to be issuing an updated Code of Practice relating to LGPS Knowledge and Skills. It seems appropriate to defer the review of the Training Policy until that has been issued, so that any changes can be incorporated into the Policy.

Timescales and Stages

Risk Policy	2020/21 Q1
Training Policy	2020/21 Q3 & Q4
Conflicts of Interest Policy	2021/22
Governance Policy and Compliance Statement*	2022/23

*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.

G3 - Review appointment of Pension Fund Committee Representatives and Local Board Members

What is it?

The employer and scheme member representatives on the Local Board are appointed for a period of three years. This period may be extended to up to five years. The currently appointments will be subject to review as follows:

- Two scheme employer representatives – July 2020 (five-year point)
- Scheme member representative (trade union) – October 2020 (three-year point)
- Scheme member representative (non-trade union) – February 2023 (three-year point)

The representative members (for other scheme employers and scheme members) on the Pension Fund Committee are appointed for a period of not more than six years. The existing representative members were appointed in July 2014 and may be reappointed for further terms. However their existing appointments will need to be reviewed by July 2020.

Timescales and Stages

Review and recruit current Pension Board representatives (2 x employer plus trade union scheme representative)	2020/21 Q1 & 2
Review existing Pension Fund Committee representatives (other scheme employers and scheme members)	2020/21 Q1 & 2
Review Pension Board scheme member representative (non-trade union)	2022/23

Resource and Budget Implications

It is expected this will mainly involve the Head of Clwyd Pension Fund taking advice from the Independent Adviser. All costs are being met from the existing budget.

G4 – Develop business continuity plan

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. It is now necessary to capture the Fund's business continuity plans and processes into one central document, based on the current methods of working, within a central document that will be maintained and subject to further testing.

Timescales and Stages

Develop business continuity plan	2020/21 Q1 to Q3
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Resource and Budget Implications

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

G5 – 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 The Pensions Regulator's requirements, work will be carried out to better understand how that risk is being managed in relation to the Fund's member data, assets and other procedures. This will include asking our system providers and suppliers to provide further information in relation to how they are managing cyber risk. After this initial work has been carried out, a process will be put in place to ensure that ongoing checks are carried out.

Timescales and Stages

Investigate areas of potential risk and put in place appropriate processes and checks 2020/21 Q1 to 4

Resource and Budget Implications

To be led by the Head of Clwyd Pension Fund with assistance from the Deputy Head of Clwyd Pension Fund, the Pensions Administration Manager and the Independent Adviser. There may be additional costs if specialist cyber guidance is required.

G6 – Process and internal control review

What is it?

One of the key requirements of The Pensions Regulator is to ensure that appropriate processes and internal controls are in place, and that they are clearly documented. This is also critical for the purposes of business continuity and succession planning.

This project will consist of a number of stages with the ultimate aim of ensuring all key processes are identified and appropriately documented. A key part of this will also be identifying any areas where greater efficiencies can be built in. This will cover all functions carried out by the Fund.

Timescales and Stages

Identify and document all existing processes, identify any gaps or processes that require review and agree priority for developing new or reviewing existing processes 2020/21 Q1 to Q4

Continue with developing new or reviewing existing processes 2021/22

Resource and Budget Implications

This review will be carried out by all teams across the Fund, led by the Pension Fund Accountant. There are not expected to be any additional costs.

G7 – 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, PB 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 expected requirements from the SAB good governance review.

Timescales and Stages

Undertake an effectiveness survey

2020/21 Q4

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.