

From:	Chairman – Kent Pension Board Corporate Director of Finance
To:	Kent Pension Board – 6 September 2023
Subject:	Business Plan and Budget update
Classification:	Unrestricted

Summary:

To provide an update on the Fund Business Plan for 2023/24 and 2024/25, including an update on the Fund's budget.

Recommendation:

The Board is asked to note and comment upon the Business Plan and budget update for the Kent Pension Fund.

FOR INFORMATION

1. Introduction

- 1.1 This report provides a Business Plan for the Kent Pension Fund (KPF) for 2023/24 and 2024/25.
- 1.2 A copy of the Business Plan is at Appendix 1, and this includes the Fund budget for 2023/24 and the outturn for 2022/23.

2. Fund Business Plan

- 2.1 The Business Plan has been designed to include a number of key aspects in the management of the KPF. The Plan includes the following elements:
 - Background to the Fund
 - Vision and Long-term plan
 - Key aims and objectives.
 - Business as Usual
 - Three Year plan
 - Delivering and monitoring the plan
- 2.2 The Business Plan has been developed for use as a tool for the Pension Board and Committee in managing and monitoring the key areas of work for the Fund, and the Fund's management team and staff to deliver the business-as-usual work as well as the new projects.

- 2.3 The Business Plan is an updated version on that agreed by the Pension Fund Committee in on 28th September 2022, and the Board considered and supported the Plan at their meeting on 24th November 2022.
- 2.4 The Plan includes a broader vision and key aims and objectives for the Fund. Officers, the Board and the Committee will develop this over time, with the intention of developing a “best-in-class” service to all of the Fund’s members and key stakeholders.
- 2.5 As previously highlighted the Fund has developed a whole fund budget which was agreed by the Committee in March 2023. Officers received detailed monitoring for the budget, however the format needs some work before presenting to Committee and Board, and it is therefore planned to do this at the November and December meetings.
- 2.6 An update on the final outturn versus budget for 2022/23 is shown in the appendix and commented on below.

3. Updates

- 3.1 The plan has a number of Key tasks for the period and a number have been considered at previous meetings as complete and so are now crossed through and highlighted in grey. The items are still shown to demonstrate progress. Since the Board and Committee last considered the Plan, an additional item has been completed. This is considered below:

- **Administration – Manage the expiration of the administration system contract.**

Board members will recall that the Pensions Administration system is essential to the work of the Administration team, and therefore having an effective contract in place is imperative. After significant work with procurement colleagues the Pension Fund Committee agreed in March to a new contract with Heywoods. This item is now marked complete.

- 3.2 All other items with target completion dates in 2023/24 are well underway and are on target to be completed in the year. There are two exceptions to this, shown below:

- **Governance – Implement recommendations of Barnett Waddingham governance review.**

An update showing progress against these is contained elsewhere on today’s agenda, and key issues affecting further progress are regulatory and national guidance delays. As these matters are out of the Fund’s control it may be necessary to extend these pieces of work.

- **Governance – Implement recommendations of the SAB Good Governance Review.**

The Fund has broadly completed most of the recommendations of eth project, however the Government is yet to issue definitive

guidance/regulation and so it is difficult to mark as complete until such date as this is issued.

- 3.3 Later in the year work will begin on the longer-term Business plan and respective budgets and this will be brought to the Board and Committee for review and approval in March 2024, ahead of the new financial year.

4. Budget

- 4.1 The Fund budget for 2023/24 is included in the Business Plan in addition to the year-end outturn report for 2022/23. Overall, the total for 2022/23 shows an underspend against budget of £3.042M and is mainly due to lower than anticipated Investment Managed Costs. A number of other key points are highlighted below:

- The cost of Pensions Administration (mainly staff costs) was £179,000 lower than budget by virtue of the number of vacancies needing to be filled. Good progress has been made on this front in 2023/24.
- There was an increase in the level of Actuarial Fees charged to the Fund, however there was also an increase in those fees being recovered from the Fund's Employers, so these two budget lines need to be viewed in total.
- ACCESS pooling costs were £44,655 lower than budgeted due to factors affecting the speed of delivery within ACCESS. These factors are considered elsewhere on the agenda.
- Transaction costs were estimated based on previous years, and the level of movement between investments in the year was significantly lower, hence an underspend of around £509,284.
- Fund Manager Fees are highly variable and are based on the market value of investments. Fixed Income assets, in particular have suffered during the year, and fallen in value, hence lower than estimated fees.

- 4.2 The budget for 2023/24 remains appropriate and an update for the six months to the end of September will be given to the Board and Committee in November and December.

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