

<b>Essex Pension Fund Strategy Board</b>	<b>PSB 04a</b>
<b>Date: 17 March 2021</b>	

## **Essex Pension Fund (EPF) - Three Year Business Plan and 2021/22 Budget**

Report by the Interim Director for Essex Pension Fund in consultation with the Independent Governance & Administration Adviser (IGAA)

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### **1. Purpose of the Report**

- 1.1 To submit the Essex Pension Fund (EPF) Three Year Business Plan for 2021/22 to 2023/24 and proposed 2021/22 Budget for approval.

### **2. Recommendation**

- 2.1 That the Board **approve** the:
  - EPF Three Year Business Plan for 2021/22 to 2023/24; and
  - Budget for 2021/22 of £5.65m as detailed in the Business Plan.

### **3. Background**

- 3.1 It is recommended best practice for Local Government Pension Schemes (LGPS) to prepare a Business Plan and Budget which are approved by the Board/Committee discharged with decision making responsibilities. This recommendation was reinforced by the work undertaken by Hymans Robertson on behalf of the Scheme Advisory Board in regard to the Good Governance Project in the LGPS.
- 3.2 In addition, Regulation requires pension fund assets to be ring-fenced. The Fund is run on behalf of over 700 Employers and 172,000 Scheme Members, from a range of public, private, and quasi-public organisations across Essex. All the costs (and efficiencies) of administering the Fund are met by (or benefit) the Fund.
- 3.3 Each year the PSB approve the EPF Business Plan and Budget for the forthcoming financial year with progress against each area of business activity measured and progress reported back to the Board on a quarterly basis.

### **4. 2021/22 to 2023/24 Business Plan**

- 4.1 This is the second iteration of the new look Business Plan with the Board approving the first at their 04 March 2020 meeting.
- 4.2 In line with the previous approved version, the 2021/22 to 2023/24 Business Plan continues to document key priorities of area of activities to achieve the Fund's strategic objectives including: governance around the Fund and decision making; its strategic goals; areas of activity; staff and financial resource implications as well as a further look at the challenges that are on the horizon for the Fund.

### **5. 2021/22 Budget**

- 5.1 It is also best practice to include a Budget within the Business Plan. As such the Fund's Business Plan includes the proposed 2021/22 Budget.
- 5.2 The EPF internal operational budget (staff, overheads, general expenses) for 2021/22 has been set in line and follows Essex County Council's (ECC's) budgetary setting process as laid out by the S151 Officer. Separately from this a budget allocation has been made in respect of all main external third-party support/advice provided to EPF.

- 5.3 The Fund is proposing a Budget of £5.65m. This is made up of £3.83m operational budget and £1.82m for third party supplier support/advise.
- 5.4 The table below sets out the current 2020/21 Budget, Forecast and proposed 2021/22 Budget:

Budget Area	2020/21 Budget  £m	2020/21 Final Forecast  £m	2021/22 Proposed Budget  £m
Operating Budget	3.31	3.18	3.83
Governance	0.18	0.17	0.18
Funding	0.08	0.06	0.15
Investments	0.48	0.44	0.81
Administration	0.57	0.64	0.68
<b>Total</b>	<b>4.62</b>	<b>4.49</b>	<b>5.65</b>

- 5.5 The increase in the 2021/22 Budget is driven largely by the increases in the Operating and Investment budget lines.
- 5.6 The Operating budget line of £3.83m is composed of £3.34m as set by ECC budgetary process and includes a further amount of £0.49m which is pending S151 Officer approval. This relates to the Fund's estimation of additional staffing costs required for the Fund to meet its statutory obligations arising from the LGPS Reform and its 2021/22 strategic activities. The 2021/22 investment budget line now reflects the cost of the Fund's Global Custody arrangements of £0.31m.
- 5.7 The 2021/22 to 2023/24 Business Plan along with the 2021/22 Budget has been provided at Appendix A of this Report for approval by the Board.

## 6. Link to Essex Pension Fund Objectives

- 6.1 Identifying and monitoring EPF activity via the Business Plan assists the Fund in achieving all of its strategic objectives, and in particular:

- provide a high-quality service whilst maintaining value for money;
- ensure the Fund is managed and its services delivered by people who have the appropriate knowledge and expertise;
- act with integrity and be accountable to our stakeholders;
- deliver a high quality friendly and informative service to all beneficiaries and employers at the point of need;
- continually measure and monitor success against our objectives; and
- ensure our communications are useful and easy to follow.

## **7. Risk Implications**

7.1 Failure to develop and publish a Three-Year Business Plan could result in:

- failure of governance arrangements to match up to statutory requirements and recommended best practice leads to financial loss and reputational damage.

## **8. Communication Implications**

8.1 The Three-Year Business Plan will be published on the Fund's website.

8.2 Other than ongoing reporting to the Board, there are no communication implications.

## **9. Finance and Resource Implications**

9.1 To deliver the activities outlined in the Business Plan for 2021/22 a Budget of £5.65m has been estimated which includes an operational internal budget of £3.83m and a budget allocation for third party provider support/advice of £1.82m. This will be periodically kept under review.

## **10. Background Papers**

10.1 EPF Three Year Business Plan, PSB 05, 04 March 2020.