



London Borough of Enfield

Report Title	2023-24 Budget & Business Plan
Report to	Local Pension Board
Date of Meeting	28 June 2023
Cabinet Member	Cllr Tim Leaver
Executive Director / Director	Fay Hammond
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Classification	Part 1 Public

Purpose of Report

1. To present the Pension Fund Business plan and budget for the 2023-24 financial year.
2. The business plan and budget set out the direction of travel, objectives and targets to be achieved in the management of the Fund, and for the Council to be able to perform its role as the administering authority of the Pension Fund in a structured manner.

Recommendations

3. The Pension board are recommended to :
 - a) Note the Business Plan attached as appendix 1 to this report
 - b) Note the Revenue Budget attached as appendix 2 to this report

Background

4. The Council has specific delegated functions that it has to fulfil as the administering authority to the Pension Fund. This requires that a number of monitoring and management activities are undertaken to ensure that it fully discharges its oversight and governance responsibilities to the Fund.
5. The key decision making for, and management of, the Fund has been delegated by the London Borough of Enfield (the Council) to a formal Pension Committee (Pension Policy Investment Committee PPIC), supported by officers of the Council and advisers to the Pension Fund. The Section 151 Officer has a statutory responsibility for the proper financial affairs of the Council including Fund matters. A local pension board is in place to assist with:
 - securing compliance of Fund matters and
 - ensuring the efficient and effective governance and administration of the Fund.
6. The Pension Fund Business Plan for the year, outlines the Fund's goals and objectives in delivering the Council's statutory function as the administering authority of the London Borough of Enfield Pension Fund.
7. A significant element of the Council's budget is the employer's contribution to the Fund. Therefore, any improvement in the efficiency of the Fund that leads to improvement in investment performance or cost savings will likely reduce contributions from the Council and release funds for other corporate priorities.
8. For a number of years, the Pension Fund has received more in contributions than it has paid out in benefits and has therefore experienced strong positive cashflow. Despite ongoing budgetary pressures, active membership has increased thanks to auto-enrolment and a shift from temporary to permanent staff contracts, whilst the Council's contribution rate has reduced due to the over funded position of the Fund from the 2022 formal valuation outcome. During 2022/23, contributions received exceeded benefits paid by £6.7m, which is an increase when compared to previous years. (mostly attributable to the increase in contributions)

Reason for Proposal

9. Under the Local Government Pension Scheme (LGPS) Regulations, the Council is required to maintain a Pension Fund for its employees and other scheduled bodies as defined in the Regulations. The Regulations also empower the Fund to admit employees of other defined bodies (e.g. other public bodies, housing corporations) into the Fund.
10. The proposed business plan and budget for the Fund has been put together to assist in the management of the Fund and to ensure that the Council is able to perform its role as the administering authority in a structured way. The Business Plan and the budget are not intended to cover all aspects of Pension Fund administration and management; rather they are designed to assist with meeting part of its delegated function as administering authority to the Fund.
11. The Fund receives contributions and investment income from current members, employers and fund assets which is used to pay benefits as they fall due. Consequently, one of the main objectives of the Fund is to ensure that sufficient

funds are available to meet all benefits as they fall due for payment. However, this objective may be jeopardised if the Fund does not maintain sufficient liquidity. The Pension Policy & Investments Committee is charged with meeting the duties of the Council in respect of the Pension Fund.

12. This report is presented to the Board as one the core functions of the Board is to ensure the effective and efficient governance and administration of the Scheme.
13. The budget and business plan are in place to help the Fund achieve it's primary objectives. (These are set out in Appendix 1)
14. The budget (appendix 2) shows a positive cash flow of £3.4m for 2023-24 financial year. This places the Fund in a resilient financial position without the need to sell assets in order to fund the administrative costs of operating the fund.

Relevance to Council Plans and Strategies

15. Priority two: Strong, healthy and safe communities
16. Priority five: An economy that works for everyone

Financial Implications

17. The Fund receives contributions and investment income from current members, employers and fund assets which is used to pay benefits as they fall due. Consequently, one of the main objectives of the Fund is to ensure that sufficient funds are available to meet all benefits as they fall due for payment. However, this objective may be jeopardised if the Fund does not maintain sufficient liquidity. The Pension Policy & Investments Committee is charged with meeting the duties of the Council in respect of the Pension Fund.
18. A significant element of the Council's budget is the employer's contribution to the Fund. Therefore, any improvement in the efficiency of the Fund that leads to improvement in investment performance or cost savings will likely reduce contributions from the Council and release funds for other corporate priorities

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Appendix 1:

In order to meet the objectives of the Pension Fund, the Pensions Board will review the business plan and the Pensions, Policy and Investment Committee will review and agree the business plan for the period 2023-24.

Governance Objectives	Responsible Team	Timescale
<ul style="list-style-type: none"> i) <i>All staff, Pension Board and Pension Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.</i> ii) <i>The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties.</i> iii) <i>to understand and ensure compliance with all relevant legislation.</i> iv) <i>To ensure the Fund aims to be at the forefront of best practice for LGPS funds</i> v) <i>Ensures the Fund manages Conflicts of Interest</i> 		
Draft Pension Fund Accounts	Pension Investments	May 2023
Produce fund annual reports	Joint	November 2023
Review Risk Register	Pensions Admin	Quarterly
TPR code of practice high level review	Joint	December 23 – March 24
Induction training for new members	Joint	As required
Member's Training	Joint	On going
Training Policy review	Joint	November 23-February 24
Review annual Performance and budget	Pension Investments	On going
Review reporting breaches Policy	Pensions Admin	Quarterly
Review Conflict of Interest Policy	Joint	September 23
Funding Objectives		Timescale
<ul style="list-style-type: none"> i) <i>To ensure the long-term solvency of the Fund.</i> ii) <i>To help employers recognise and manage pension liabilities as they accrue.</i> iii) <i>To minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so.</i> iv) <i>To use reasonable measures to reduce the risk to other employers and ultimately to the Council Taxpayer from an employer defaulting on its pension obligations. (Including: addressing the different characteristics of disparate employers or groups of employers to the extent that this is practical and cost effective).</i> 		
Preparations and update of Actuarial Valuation	Joint	As required
Review of Funding strategy statement	Pension Investments	As required
Investment Objectives	Responsibility	Timescales
<ul style="list-style-type: none"> i) <i>Optimising the return on investment consistent with a prudent level of risk</i> ii) <i>Ensure that there are sufficient assets to meet the liabilities as they fall due (i.e.</i> 		

<p><i>focus on cash flow requirements)</i></p> <p>iii) <i>Ensure the suitability of assets in relation to the needs of the Fund (i.e. delivering the required return). xiii)Ensuring that the Fund is properly managed (and where appropriate being prepared to change).</i></p> <p>iv) <i>Set an appropriate investment strategy for the Fund to allow the Administering Authority to seek to maximise returns (and minimise the cost of benefits) for an acceptable level of risk'. Ensure return seeking assets are in line with Funding objectives.</i></p>		
Review Investment Strategy Statement	Pension Investments	September 23
Responsible Investment Policy Review	Pension Investments	As required
Review Investment performance	Pension Investments	Ongoing
Review Strategic Asset Allocation and rebalance fund to match strategic benchmarks	Pension Investments	Ongoing
Re tender Actuarial Contract	Pension Investments	April 23 – September 23
Carbon footprint audit	Pension Investments	Ongoing
Pension Fund Treasury Management strategy	Pension Investments	September
Collaborative working with London CIV	Pension Investments	Ongoing
Pension Administration objectives		Timescale
To deliver an efficient, quality and value for money service to its scheme employers and scheme members		
Pension Administration Strategy	Pensions Admin	September 23-December 23
McCloud remedy monitoring	Pensions Admin	Ongoing
Employer data improvements	Pensions Admin	Ongoing
Administering Authority decisions review	Pensions Admin	June 23–September 23
Employing Authority Discretions	Pensions Admin	September 23–December 23
Communications objectives		Timescale
Ensure that all stakeholders are kept informed of developments within the Pension Fund. Ensuring that all parties are aware of both their rights and obligations within the Fund.		
Annual benefits Statement	Pensions Admin	August 23
Auto-Enrolment/workplace Pensions	Pensions Admin	Ongoing
Communications Policy review	Pensions Admin	January 24-March 24
AGM	Joint	March 24

Appendix 2

<u>Pension Fund Budget</u>			
<u>2023-24</u>			
Budget item	2023-24 Budget '£000	2022-23 Actual '£000	Commentary
Contributions	58,463	56,214	Contributions from employers and contributing members. Assumes 4% pay award
Transfers in	7,100	12,591	Budget based on average of last 3 years
	65,563	68,805	
Benefits	(54,426)	(49,478)	Budget based on Pension Increase
Transfers Out	(4,385)	(3,766)	Budget based on average of last 3 years
	(58,811)	(53,244)	
Net additions/(Withdrawals) from members	6,752	15,561	
Administrative Costs	1,516	1,458	Includes all staffing costs associated with Pension administration and investments teams
Oversight & Governance costs	100	336	Includes actuarial and other governance costs
Investment Management expenses	1,692	1,581	Budget includes directly invoice costs only
Management Expenses	3,308	3,375	
Net cash inflow/(Outflow) before investment income and market value changes	3,444	12,186	

