

Warwickshire Local Pension Board

20 October 2021

Business Plan monitoring

Recommendation

1. That the Local Pension Board notes and comments on the report.

1. Executive Summary

- 1.1 The Fund Business Plan for the year ending April 2022 was approved by the Pension Fund Investment Sub-Committee in March. This report provides a quarterly progress update against the action plan.
- 1.2 Appendix 1 breaks down the Business Plan into the 42 actions identified in the original plan. 7 further actions have been added making 49 in total. These additional actions are tagged with new reference numbers so that it is clear which actions are from the original plan and which are new. All original plan items retain their original reference number.
- 1.3 Actions are RAG rated as follows:

Rating	Description
Blue	Completed
Green	Action ok or materially ok.
Amber	Action materially off track but can be managed back on track or the objective can be revised without need for escalation outside of the team
Red	Action is materially off track and cannot be resolved without escalation, or requires escalation outside of the team by its nature, even if a resolution is in place

- 1.4 The summary RAG rating assessment is as follows:

Rating	C1 Admin	C2 Actuarial	C3 Investments	C4 Governance	Total
Blue	6	0	0	1	7
Green	8	2	10	7	27
Amber	4	1	2	7	14
Red	0	0	1	0	1
Total	18	3	13	15	49

- 1.5 The majority of actions are on track but there are a number of activities where there are challenges and one significant challenge flagged as red. The items which were red last quarter or continue to be red are as follows:
- Item C3+1 relates to the CMA Order requiring LGPS pension committee members to set strategic objectives for providers of investment consultancy services. At present, there are objectives in place for Hymans Robertson (the Fund's investment consultant) which could be refreshed. While the contract with the Fund's independent investment adviser, Bob Swarup of Camdor Global Advisors, sets out the Fund's expectations of work, it would be best practice to formalise the objectives. There is a plan in place to agree objectives and how they will be measured with him before the end of October.
 - Item 34 – Maintenance of a contracts register and a schedule for contract reviews – has progressed from red to amber. This is because all known contracts are on the Council's contract management system with a schedule of review dates, and it is anticipated that the plan to re-tender expired contracts could get back on track. It is still likely to take several months before the current contracts are all expected to be up-to-date or rolled over.
 - Last quarter the LPB requested officers focus on Item 40 – a review of disaster recovery and business continuity planning. This action has moved from red to amber as officers have organised a training session for the Fund on this topic, and drafted a plan based on the County Council's plan. There is further work to be done tailoring the plan to meet the Pension Fund's specific needs.
- 1.6 In 2019/20 there were 36 actions. There are more actions this year because there has been an intentional consolidation down to a single action plan for the Fund in order to have all significant activity in one place and because there is more activity across all fronts driven by the last governance review.
- 1.7 Increases in capacity have helped to deliver this additional activity (for example clearing the administration backlog, implementing iConnect, having a schedule and plan for policy reviews, and more pro-active reporting to the Staff and Pensions Committee) but at the same time these lines of work have shone a light on further activity that has been identified as necessary and alongside this new requirements driven externally by entities such as the Scheme Advisory Board and the Pensions Regulator require further activity to manage, for example the Good Governance review.
- 1.8 There are a greater proportion of Ambers and Reds in respect of governance and investments and a common underlying factor is resourcing. In particular the need/demand for activity has grown by a greater margin than the increases in capacity that were put in place in the last reorganisation.
- 1.9 Officers are reviewing the specific capacity that is required and preparing business cases to present the rationale for where additional capacity is required. There are three areas under consideration:

- Governance - to be able to manage the governance agenda overall, to be able to review the effectiveness of policies and update policies, and to meet the additional requirements driven by the Good Governance review.
- Accountancy - to support financial and management reporting, provide more team resilience, and free up some capacity to focus more on investments.
- Investment – internal investment capacity to assist in investment management and strategy/development (this would potentially facilitate reductions in external investment costs).

1.10 The business case relating to investment and accountancy support has been completed, and the business case in relation to governance should be completed by November (as the inputs are being worked on and depend upon external inputs).

2. Financial Implications

2.1 If any additional capacity is in due course determined and approved, then any costs associated with supporting the pension fund will be a cost to the pension fund, not to be County Council.

3. Environmental Implications

3.1 The activity around the reviewing of the investment strategy will have regard to climate risk.

4. Supporting Information

4.1 None.

5. Timescales associated with the decision and next steps

5.1 Officers will continue to monitor activity against the business plan regularly, and activity will be reported quarterly to the Local Pension Board.

Appendices

1. Appendix 1 – Quarter 2 Business Plan Monitoring

Background Papers

1. None

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The report was circulated to the following members prior to publication:

Local Member(s):

Other members: