

PENSION FUND COMMITTEE**7 March 2025****ANNUAL BUSINESS PLAN AND BUDGET 2025/26****Report by the Executive Director of Resources & Section 151 Officer****RECOMMENDATION****1. The Committee is RECOMMENDED to:**

- i) Note the progress against the service priorities for 2024/25; and**
- ii) Approve the Business Plan, Budget, Training Plan and Cash Management Strategy for 2025/26**

Introduction

2. The report reviews the progress against the key service priorities set in the business plan for the Pension Fund for 2024/25.
3. The report also sets out the proposed business plan, budget, training plan and cash management strategy for the Pension Fund for 2025/26. It follows on from the workshop held on 16 January 2025, to which all members of the Committee and the Local Pension Board were invited. The Plan sets out the key priorities for the Fund as agreed at the workshop, details the key service activities for the year, and includes the proposed budget and cash management strategy for the service.
4. The key objectives for the Oxfordshire Pension Fund as set out in the Business Plan for 2025/26 (annex 1) and remain consistent with those agreed for previous years, with one slight update to reflect the Fund's improved funding position.
5. The overall objectives are summarised as:
 - To fulfil our fiduciary duty to all key stakeholders
 - To administer pension benefits in accordance with the LGPS regulations, and the guidance set out by the Pensions Regulator
 - To maintain a funding level above 100% (LGPS only)
 - To ensure there are sufficient liquid resources to meet the liabilities of the Fund as they fall due, and
 - To maintain as near stable and affordable employer contribution rates as possible

6. Part A of the plan sets out the broad service activity undertaken by the Fund. These are unchanged from previous years. The service priorities for the forthcoming financial year are then set out in more detail in Part B. These priorities for the most part, do not include the business as usual activity which will continue alongside the activities included in Part B.

Key Service Priorities – Review of 2024/25

5. There were 3 key service priorities included in the 2024/25 Plan each with a number of key measures of success. The latest position on each is set out in the paragraphs below. The assessment criteria for each measure of success is as follows:

- Green – measures of success met, or on target to be met
- Amber – progress made, but further actions required to ensure measures of success delivered
- Red – insufficient progress or insufficient actions identified to deliver measures of success

6. Deliver further improvements to the governance arrangements of the Fund. The position against the 5 agreed measures of success are set out in the table below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Succession Plan in place, and suitably skilled and knowledgeable replacements recruited for Head of Pensions and Pension Services Administration Manager. GREEN	Heads of Pensions and Pension Services Administration Managers appointed.	
Workforce Strategy in place. GREEN	Workforce Strategy in place and currently in process of being implemented.	Continuation of this work included in Service Priorities for 2025/26.
End of year compliance with General Code of Practice in line with targets set. GREEN	On track to completed by end of March 2025.	New item created for Service Priorities for 2025/26 including independent scrutiny and review to be completed in the first half of 2025.
Committee satisfied they are able to evidence compliance with their policies and demonstrate the performance	All Committee and Board members have completed induction training and required mandatory along with	Continuation of the focus on knowledge and understanding is included in Service Priorities for 2025/26.

standards of the Fund. GREEN	receiving details of Fund policies.	
Increase in average scores for the National Knowledge Assessment. AMBER	National Knowledge Assessment has been completed with 100% completion rate.	Training plan for 2025/26 is included in this paper (annex 2), with particular focus on key areas identified in the National Knowledge Assessment which require development.

7. The first 4 measures of success under this objective have all been rated green, largely due to the successful appointment to roles, the development of the Workforce Strategy, progress on the General Code of Practice and both Committee and Board being up to date on training requirements.
8. The National Knowledge Assessment (NKA) has scored as amber due to a number of factors, the Chair of Board not being included in the 2024 results and a number of new members to both Committee and Board. Fund Officers will continue to monitor and offer bespoke support to work on key areas highlighted by the NKA. More information can be found in the Fund's Training Plan 2025/26 (Annex 2).
9. Deliver further operational effectiveness of the administration function, including delivery of regulatory changes. There were also 6 specific measures of success set out in the 2024/25 Business Plan in respect of this priority. The progress against these is set out in the table below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Issue all estimates/benefit calculations in line with the McCloud requirements. AMBER	All fire pension scheme Annual Benefit Statements were issued including McCloud requirements where possible, with the exception when external guidance from Government changed and these statements were all issued in the following 6 months, once the systems and GAD calculators had been updated to reflect the new requirements.	Continuation of the McCloud priority has been included in Service Priorities for 2025/26. The key focus remains the Active and Deferred members of the LGPS in order to comply with the Statutory date for Annual Benefits Statements by 31 August 2025.
Increased Common Data and Scheme Specific Data Quality scores. GREEN	Completed. Common Data – 94.5% Scheme Specific – 98.69%	Continuation of this work included in Service Priorities for 2025/26.

Reduction in numbers of reported regulatory breaches/fines issued under the Administration Strategy. GREEN	Overall reduction in breaches and fines achieved, focus moving to employer engagement and relationship management to maintain this progress going forward.	Continuation of this work included in Service Priorities for 2025/26.
Reduction in number of formal complaints. GREEN	Numbers of complaints have fallen.	Continuation of this work included in Service Priorities for 2025/26.
Increased customer satisfaction scores. GREEN	Customer satisfaction survey results remain positive with the majority of interactions rated as either 4 or 5 stars (72%).	Continuation of this work included in Service Priorities for 2025/26.
Reduction in scheme costs associated with technology improvements. AMBER	Resource constraints have limited progress on developments, a revised project timetable has been put in place to ensure delivery as part of the Service Priorities for 2025/26.	Carried forward work and included in Service Priorities for 2025/26.

10. Out of 6 measures of success, 4 are rated as green, this is largely due to improvements in data scores which represents the work done by Fund officers to work in partnership with our scheme employers on data quality and the internal processes the team use to further check data. Improved data quality will typically impact numbers of fines, complaints and customer satisfaction scores and this demonstrates the Fund's commitment to continually improving the service we provide.
11. We have rated amber the McCloud measure of success; this is largely due to last minute changes in guidance on the calculation to be included in Annual Benefit Statements for Fire Fighter pensions. This was external guidance and impacted all Fire Authorities across the country. This resulted in a number of delayed Annual Benefit Statements being issued, these statements have been issued now, and scheme members were kept up to date during the delay.
12. The measure of success for reduction in costs associated with technological improvements has also been rated as amber due to delays in progress resulting from resource constraints within the technical and systems team. A revised plan is now in place to make progress on system enhancements during 2025/26.
13. Review the Fund's Investment Strategy Statement in light of:
- The 2025 Valuation
 - Government Policy
 - Cashflow Requirement

- Responsible Investment Priorities

There were 5 measures of success set for this service priority within the Business Plan, and progress against these measures is set out below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Clear Strategic Direction agreed for 2025 Valuation, to the satisfaction of scheme employers. GREEN	<p>Pre-valuation focus on data quality with employers continues.</p> <p>Housing keeping on historic employer matters, ahead of valuation have been completed.</p> <p>Initial valuation modelling has taken place and initial meetings with 6 out of 7 largest employers have been held, with the 7th booked in for later in March 2025.</p>	Carried forward work and included in Service Priorities for 2025/26.
Revised cashflow model in place and sufficient cash in place to meet pension benefits and investment commitments as they fall due. GREEN	Ongoing monitoring of the cashflow position is in place.	<p>Cashflow model to be reviewed in light of decisions made throughout 2025 Valuation process. Cashflow monitoring policy to be developed.</p> <p>Carried forward work and included in Service Priorities for 2025/26.</p>
Plans in place to deliver Government Policy requirements. GREEN	<p>Responses issued to call for evidence and consultations.</p> <p>Working closely with partner Funds and Brunel on Brunel's response due in March 2025.</p>	Continuation of this work included in Service Priorities for 2025/26.
Publish Fund's first Responsible Investment Policy and Strategy Documents. GREEN	Press release issued on exclusions.	Continuation of this work included in Service Priorities for 2025/26.
Revised Strategic Asset Allocation agreed. GREEN	Initial discussions scheduled.	Strategic Asset Allocation to be reviewed as part of the 2025 valuation.

		Continuation of this work included in Service Priorities for 2025/26.
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14. All 5 measures of success are rated green, largely due to work progressing well on the 2025 valuation, cashflow modelling and producing the revised Strategic Asset Allocation will naturally align as part of the valuation work during 2025/26. The Fund's Responsible Investment Policy has been well received, and progress continues to be made in line with the Policy. The Fund is also working closely with partner Funds and the Brunel Pensions Partnership, on the preparation for the implementation of proposed Government policy.

Budget 2024/25

15. The budget for 2024/25 was agreed at £20,741,000.

2024/25 Pension Fund Budget – Q3 Update

	Budget	YTD	%	Forecast Outturn	Variance
	2024/25	2024/25		2024/25	2024/25
	£'000	£'000		£'000	£'000
Administrative Expenses					
Administrative	1,861	1,266	68%	1,861	0
Employee Costs					
Support Services	1,338	1,205	90%	1,338	0
Including ICT					
Printing & Stationary	82	73	89%	82	0
Advisory &	165	1	0%	165	0
Consultancy Fees					
Other	60	31	51%	60	0
Total Administrative Expenses	3,506	2,575	73%	3,506	0
Investment Management Expenses					
Management Fees	14,800	3,000	20%	15,000	200
Custody Fees	30	21	71%	30	0
Brunel Contract Costs	1,453	1,499	103%	1,453	0

Total Investment Management Expenses	16,283	4,520	28%	16,483	200
Oversight & Governance					
Investment & Governance Employee Costs	444	274	62%	400	-44
Support Services Including ICT	13	0	0%	13	0
Actuarial Fees	292	275	94%	292	0
External Audit Fees	50	115	229%	120	70
Internal Audit Fees	9	0	0%	9	0
Advisory & Consultancy Fees	101	25	25%	70	-31
Committee and Board Costs	24	0	0%	24	0
Subscriptions and Memberships	20	60	300%	20	0
Total Oversight & Governance Expenses	953	749	79%	948	-5
Total Pension Fund Budget	20,742	7,844	38%	20,937	195

16. Key points to note are that Brunel invoices are paid in advance so the year to date includes all 4 quarters of fees.

17. Subscriptions and memberships have increased significantly due to paying the annual subscription to the Pensions and Lifetimes Savings Association (PLSA), which was circa £20k.

18. The two main causes for overspend have been payment of the previous year's external audit fees and the difficulty in estimating investment management fees in advance.

Service Priorities for 2025/26

19. The service priorities for 2025/26 were developed through a workshop to which all members of the Pension Committee and Pension Board were invited. This year,

the workshop was held on 16 January 2025 and was facilitated by Hymans Robertson.

20. The workshop enabled members of the Committee and Board to identify key priority areas for the Fund for 2025/26 and what they see as measures of success. Officers have sought to bring this together under 4 key priorities within the 2025/26 Business Plan (annex 1) which are summarised as follows.
21. First key priority is to deliver further improvements to the governance arrangements of the Fund. Key amongst this is to continue work on the Workforce Strategy to ensure we maintain a skilled and resilient workforce into the future. Along with continued work on the General Code, implementing the outcomes from the Good Governance Review, continue work on the outcomes from the National Knowledge Assessment and to track and respond to Local Government Reform.
22. The second key priority is to deliver further operational effectiveness of the service delivery/administration function, including delivery of regulatory changes. This will include implementing the McCloud remedy, improving common data scores, a particular focus on developing the services we provide to our employers. Greater focus on monitoring customer satisfaction, enhancing our reporting on day-to-day activities and implementing Government tax changes.
23. The third key priority is to develop further the Fund's Investment and Funding service. This will include delivering the 2025 valuation, enhanced cashflow modelling and monitoring, reviewing the Strategic Asset Allocation, implementing both Government policy and our Responsible Investment Policy. In addition, further value for money analysis will be undertaken.
24. The fourth and final key priority is to deliver service enhancements and cost reductions through increased use of technology. This will include development and launch of a new website, implementation of Pension Dashboard, further developments of our system to enhance Fund services and also regular software updates.
25. The full details of the 4 priority areas, action plans and measures of success are included in Part B of the draft Business Plan included in annex 1.
26. The key priority areas detailed in annex 1 represents a significant challenge. This is similar for all other LGPS Funds, the delivery of McCloud, pension dashboards, the 2025 valuation, General Code, outcomes from the Good Governance Review, Government reform of pooling, development of Local Investment, Local Government devolution to name a few. This creates significant challenges and pressures on Fund resources.
27. Given the resource challenges LGPS Funds face, we welcome the recent letter from Scheme Advisory Board dated 27 January 2025, which can be read using this link: [January 2025 SAB letter to administering authorities on budget setting.pdf](#) . This letter highlights the importance of having an adequately resourced Fund to support delivery of business plans.

Budget 2025/26

28. The proposed budget for 2025/26 is set out as Part C of the Business Plan which also includes a comparison with the budget for 2024/25. Overall, there is an increase in the proposed budget from £20,742,000 to £26,742,000 (28.9%). The main element of the variation is explained in more detail below.
29. Other than inflationary increases, there are a number of points to note on increases in the budget.
30. The increase in the administration staffing budget reflects the proposed increased staffing to add an employer services manager role. This will enhance the service delivered to our diverse range of employers, focusing on reviewing all employer-based guidance and policies to ensure we remain compliant with our duties to employers. This is an area which has recently been highlighted as an area the Fund needed to improve and was included in the business priorities under both delivering further improvements to the governance arrangements of the Fund and to develop further the Fund's Funding service.
31. In line with our priority to deliver service enhancements and cost reductions through increased use of technology, the proposal to create a deputy technical and systems manager role will support this priority. In the scheme year 2024/25, the Fund has found it challenging due to resource constraints within this team to deliver both pensions technical projects and technological enhancements, as such this role is vital in order to make progress on many of the systems enhancement items carried over from 2024/25.
32. In both, cases the roles act to remove single points of failure from within the Fund and aid the succession plan for the future.
33. A further proposed change is to convert one of the existing benefit team leader roles, which is vacant due to internal promotion, to a benefits manager role. This will create an escalation route for informal complaint resolution, without impacting the independence of our Internal Dispute Resolution Procedure (IDRP). The IDRP stage 1 & 2 must be independent from previous complaints, with the current structure this is becoming increasingly difficult, this is an area of risk this change immediately resolves.
34. The increase in administrative employee costs is offset in other areas of administration, as a result overall administrative expenses are expected to decrease by circa £100k.
35. The largest increase in the budget is for Investment Management Fees, which has seen a significant increase from £14,800,000 to £20,500,000 and partly reflects the growth in the assumed average asset value over the course of the next year on which fees are payable. The Committee have no control over this aspect of the budget.

Training Plan

36. Annex 2 sets out the broad Training Plan for Committee and Board Members. This reflects the Knowledge Assessment and feedback from Committee and Board members in 2024. Various training sessions have been held throughout the year such as a session covering affordable housing. A session on Governance in the Brunel Pensions Partnership was held prior to the Committee Meeting on 13 December 2024. We have pre-Committee training at this meeting from the Scheme Actuary.
37. The Plan also includes reference to the on-line training offered by Hymans Robertson which all Members are encouraged to complete, a list of recommended external courses and conferences which Members are invited to consider as well as the offer of individual sessions with Officers and the development of a specific training plan to meet individual needs.
38. Since our last Committee meeting, we are encouraged to see a number of Committee and Board Members booking on the external courses and conferences, should you need any further information on these please see the links in the Training Plan (annex 2) and for any questions, please contact Anna Lloyd our Governance and Communications Officer.

Cash Management

39. The final section of the business plan, Part D, provides the annual cash management strategy for the Fund. The Strategy is based on the Treasury Management Strategy for the Council but has a significantly reduced number of counterparties reflecting the lower sums of cash involved, and the wider set of alternative investment classes open to the Pension Fund.

Lorna Baxter
Executive Director of Resources & Section 151 Officer

Annex: 1 – Business Plan 2025-26
 2 - Oxfordshire Pension Fund Training Plan 2025-26

Background papers: Scheme Advisory Board letter dated January 2025
[January 2025 SAB letter to administering authorities on budget setting.pdf](#)

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