

PENSION FUND COMMITTEE – 7 JUNE 2024

REVIEW OF THE ANNUAL BUSINESS PLAN AND BUDGET 2024/25

Report by the Executive Director of Resources & Section 151 Officer

RECOMMENDATION

The Committee is RECOMMENDED to

- a) review progress against each of the key service priorities as set out in the report; and**
- b) agree any further actions to be taken to address those areas not currently on target to deliver the required objectives.**

Introduction

1. This report sets out the latest progress against the key service priorities set in the business plan for the Pension Fund for 2024/25 as agreed by the March meeting of this Committee.
2. The key objectives for the Oxfordshire Pension Fund as set out in the Business Plan for 2024/25 remain consistent with those agreed for previous years. These 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 achieve a 100% funding level
 - 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.
3. The service priorities for the year do not include the business as usual activity which will continue alongside the activities included in the service priorities. Business as usual activities are monitored as part of the Administration Report, the Governance and Communications Report and the report on Investment Performance.

Key Service Priorities – Progress to Date

4. 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

5. 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	Appointments agreed to both positions, with new Head of Pensions due to start on 1 August 2024. New Pension Services Administration Manager was an internal appointment and began work in role on 29 April 2024.	Complete succession arrangements to fill vacancy created by promotion to Pension Services Administration Manager.
Workforce Strategy in place. AMBER	Initial draft report presented to Pension Board, and key elements of approach endorsed.	Approach to be reviewed by new Head of Pensions, and full Strategy developed and signed off by Committee during 2024/25.
End of year compliance with General Code of Practice in line with targets set. GREEN	Outline Action Plan developed to timetable reviews across all modules.	Reviews to be completed, and actions agreed and delivered to address any gaps in compliance.
Committee satisfied they are able to evidence compliance with their policies and demonstrate the performance standards of the Fund. AMBER	Government has published new standard KPI requirements for Annual Report and Accounts effective from 2024/25 Report. Initial Discussions held with Heywood re automation of KPI reports.	Review of current processes and use of software to ensure automatic KPI reports meet requirements. Wider review of reporting to Committee to identify gaps in current assurance framework and develop suitable reports to address gaps.
Increase in average scores for the National Knowledge Assessment. AMBER	Training programme for 2024/25 developed.	All members of the Committee and Board to complete National

		Knowledge Assessment later in 2024.
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6. Given we are less than 2 months into 2024/25 at the time of writing this report, there has not been sufficient time to complete sufficient work to indicate whether we are on target to deliver across all of the agreed measures of success in this area. The main positive development has been the successful recruitment process to replace the Head of Pensions and the Pension Services Administration Manager, although in the later case, the internal appointment has created a new issue further down the structure.
7. A key task for the new Head of Pensions once they are in role will be to complete the work on the Workforce Strategy and lead the development of the workforce. This is currently shown as Amber given the challenges nationally in recruiting to key roles across the LGPS, and the potential challenges of finding the resources required to develop the technological advances necessary to support an effective workforce going forward.
8. Work on ensuring compliance with the General Code of Practice has progressed during the first part of the year (as detailed with the Governance and Communications Report elsewhere on today's agenda). A timetable for the review of each relevant area covered by the Code has been agreed, and the initial reviews have been completed to timetable and no new gaps in compliance identified. Actions have been agreed to close the previously identified gaps and at the present time we remain on target to be fully compliant by the end of the year.
9. In terms of Committee reporting, whilst work is undergoing with Heywood, our system supplier, to develop automated reporting of Key Performance Indicators in line with the Government requirements for the Annual Report and Accounts, we need to undertake more work to review how we improve assurance reporting across the range of Fund Policies which provide evidence to Members that policies are being adhered to, and are delivering the expected outcomes.
10. The Measure of Success in respect of Committee and Board members National Knowledge Assessments is also currently showing Amber. This in part reflects the high turnover of membership of both the Committee and the Board, and the loss of previous skills, knowledge and experience. Officers will continue to work with all Members to ensure sufficient training opportunities are identified, which hopefully will be reflected in the Assessment scores later in 2024.
11. 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	Some data collected and loaded, but returns	Complete collection and loading of missing data.

the McCloud requirements. AMBER	still outstanding from a number of employers.	Determine approach where historic data not available. Complete backlog of calculations in line with Government's priority guidance.
Increased Common Data and Scheme Specific Data Quality scores. GREEN	Data cleanse included as part of end of year work.	Produce regular data quality reports for Committee and action plans to address gaps.
Reduction in numbers of reported regulatory breaches/fines issued under the Administration Strategy. GREEN	New breach arrangements in place. Improved transparency in reporting to Committee.	Provide further training and support to Scheme Employers in areas of significant regulatory breaches.
Reduction in number of formal complaints. GREEN		Website improvements to improve processes and management of member expectations.
Increased customer satisfaction scores. AMBER		Review trends in member survey scores and develop action plans as necessary
Reduction in scheme costs associated with technology improvements. AMBER		Complete work plan items carried over from 2023/24. Continue to work with Heywood to develop further functionality within the System software.

12. Delivery against the McCloud Project Plan remains challenging, given the scale of the work involved, the timescales over which historic data needs to be collected, and the complexity of the remedy arrangements, which in turn is leading to delays in the development of the necessary changes to the system software. As noted within the Administration Report elsewhere on the agenda, we are behind the target deadlines set out in the project plan, with data from 32% of scheme employers still outstanding.
13. It is known that the issues facing the Fund are replicated across the rest of the LGPS (with similar challenges also reported in respect of the Fire Fighters remedy arrangements). We expect further guidance to be issued centrally, to include the approach to be taken in cases where historic data is not available (most likely to be in cases where the member moved role numerous times during the remedy period, or the members employer changed status, and/or payroll

provider during the remedy period). This, and further system developments will hopefully mitigate many of the risks in respect of delivering the project to the statutory deadlines.

14. Work across the other 5 measures of success is all built of taking forward work undertaken in 2023/24. The differences in assessment between green and amber reflect the amount of work completed to date and the evidence available to support the view we are on target to deliver by the end of 2024/25.

15. Review the Fund's Investment Strategy Statement in light of:

- The 2025 Valuation
- Government Policy
- Cashflow Requirement
- Responsible Investment Priorities

There were 4 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. AMBER	Report on today's agenda setting out key areas for Committee consideration in setting strategic direction.	Consultation with scheme employers on their desired outcomes from the 2025 Valuation. Revised Funding Strategy Statement agreed.
Revised cashflow model in place and sufficient cash in place to meet pension benefits and investment commitments as they fall due. GREEN	Report on today's agenda on potential cashflow requirements.	Cashflow model to be reviewed in light of decisions made throughout 2025 Valuation process.
Plans in place to deliver Government Policy requirements. AMBER		Await Government proposals and determine approach accordingly.
Publish Fund's first Responsible Investment Policy and Strategy Documents. GREEN	Responsible Investment Policy on today's agenda for agreement.	Develop responsible investment strategy to deliver and report on key elements of Policy
Revised Strategic Asset Allocation agreed. AMBER		Agree revised Strategic Asset Allocation in light of decisions above.

16. Work across this service priority will be a key issue for this Committee across the forthcoming year. Members will have received a training session immediately before this Committee to set the context for the work, and elsewhere on today's agenda there are reports on cash management, preparing for the 2025 Valuation and on the Responsible Investment Policy. One of the complexities across this issue is the many inter-related parts which the Committee will have to consider over the course of the year, to ensure a consistent and coherent outcome.
17. The current assessments again reflect the level of progress to date and the availability of evidence to support a view that we are on target to deliver by the end of the financial year. The work on the Responsible Investment Policy is most advanced with the final Policy document presented to the Committee today for sign off. The initial report on cashflow management is also included on today's agenda which does not indicate any significant risks to the Fund's ability to effectively meet its responsibilities.
18. The areas of greater uncertainty are the extent to which the Fund will be able to meet the expectations of scheme employers and meet the demands of Government. The level of uncertainty in respect of the latter has now increased further in light of the announcement of a general election on 4 July 2024 which will delay the publication of any Government proposals/guidance.

Budget 2024/25

19. The budget for 2024/25 was agreed as Part C of the Business Plan at £20,741,000. At this stage of the year there is insufficient information to produce a meaningful forecast of any variations to this forecast.

Training Plan

20. Part D of the Business Plan set out the broad Training Plan for Committee Members. This reflects the latest Knowledge Assessment and feedback from Committee and Board members. The programme includes sessions on Pensions Administration which saw a fall in scores under the most recent Knowledge Assessment, with a suggestion there is a focus on advances in technology and the development of Artificial Intelligence tools, Actuarial Methods with a focus on the requirements of the 2025 Valuation and Pensions Accounting and Audit Standards. The first session focussing on the 2025 Valuation was undertaken this morning.
21. 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.
22. Over the course of the year, we will develop the monitoring of Members compliance against the Training Policy, and this information will be included alongside the review of the National Knowledge Assessment scores as part of

our assessment of the overall governance arrangements for the Fund. It is expected that this will be an area of increased focus for the new Government post the July elections.

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