



FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

WEDNESDAY, 6 MARCH 2024

Report of the Director - Finance and ICT

Derbyshire Pension Fund 2024-25 Service Plan

1. Purpose

- 1.1 To seek approval for Derbyshire Pension Fund's Service Plan for 2024-25, including the annual budget for the year of £36.233m.

2. Information and Analysis

- 2.1 The Service Plan, attached as Appendix 2 sets out:

- The objectives of Derbyshire Pension Fund (the Fund)
- Details of the Pension Fund Team
- Key services of the Fund
- Key achievements in 2023-24
- Review of 2023-24 performance indicators
- Forward plan of Pension Fund procurements to 31 March 2026
- The Fund's medium-term priorities
- The 2023-24 forecast budget outturn
- The 2024-25 budget required to deliver the Fund's services
- 2024-25 key performance indicators

- 2.2 A forecast budget is presented to Committee to improve transparency and to provide assurance regarding the business planning process and the use of the Fund's resources.

The forecast budget requirement for 2023-24 was £35.132m, made up of operational costs of £6.392m and investment management expenses (IMEs) of £28.740m.

- 2.3 IMEs are largely ad-valorem in nature (i.e. they relate to the value of assets under management). The forecast IME costs for 2023-24 were based on forecast assets under management (AUM) of £6.000bn and on assumptions at the time the budget was prepared in respect of the future asset class mix. The actual level of assets has been, on average, around £18m higher throughout the year, and there have been small differences in the asset class mix against the original assumptions.

The report presented to Committee on the Fund's Service Plan for 2023-24, noted that the forecast 2023-24 budget would be adjusted to take into account the actual level of AUM and the actual asset class mix throughout the year at the time of the budget outturn review.

Adjusting the forecast 2023-24 budget to take into account higher IME costs related to the higher than forecast level of assets management gives a restated 2023-24 forecast of £35.215m, made up of operation costs of £6.392m and IMEs of £28.823m.

The current expected outturn for 2023-24 is £34.023m, 3.2% below the budget forecast, and 3.4% below the adjusted budget forecast, made up of operational costs of £5.905m and IMEs of £28.118m.

- 2.4 For 2024-25, a budget of £36.233m is sought to deliver the services of the Pension Fund, made up of operational costs of £6.996m and total IME costs of £29.237m. This represents a 6.5% increase on the 2023-24 forecast outturn, and an increase of 2.9% compared to the 2023-24 adjusted budget. These costs will be met by the Pension Fund.

The forecast IME costs are based on forecast AUM of £6.222bn during 2024-25 and on the current assumed asset class mix for the year ahead. When the expected budget outturn is reviewed next year, the forecast budget for 2024-25 will be adjusted to take into account the actual level of AUM and the actual asset class mix throughout the year.

Further details on 2023-24 budget outturns by category of expenditure and on the requested budgets by category for 2024-25, are set out in the attached Service Plan.

3. Implications

3.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

4. Background Papers

4.1 Background papers are held by the Head of Pension Fund.

5. Appendices

5.1 Appendix 1 – Implications

5.2 Appendix 2 – Derbyshire Pension Fund Service Plan 2024-25

6. Recommendation(s)

That Committee:

a) approves the 2024-25 Service Plan for Derbyshire Pension Fund, attached as Appendix 2, including the annual budget of £36.233m.

7. Reasons for Recommendation(s)

7.1 An annual Service Plan clearly sets out the objectives of the Pension Fund for its stakeholders, improving transparency and providing assurance regarding the direction of the Fund, the business planning process and the use of the Fund's resources.

Report Author: Dawn Kinley

Contact details: dawn.kinley@derbyshire.gov.uk

Appendix 1

Implications

Financial

1.1 As set out in Section 2 of the report.

Legal

2.1

Human Resources

3.1

Information Technology

4.1

Equalities Impact

5.1

Corporate objectives and priorities for change

6.1

Other (for example, Health and Safety, Environmental, Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1