



2025/26 Business Plan and Budget



Introduction

This Business plan and Budget set out the key activities to be delivered by the East Sussex Pension Fund (the Fund) in 2025/26 and the associated budget to deliver these targets and the day-to-day administration activities of running the Fund.

This report includes:

- business plan themes,
- budget for 2025/26 compared against 2024/25 forecast spend,
- key assumptions in setting the budget and
- key deliverables of the budget plan themes.

Business Plan

Following the Chancellor's announcements in the Mansion House speech that took place in November 2024 and the subsequent detail contained within the consultation "Local Government Pension Scheme: Fit for the Future", 2025/2026 will be a busy period for the LGPS and a period of change. The consultation sets out the priorities for the government regarding LGPS pooling. The government expects 100% of LGPS assets to be pooled (initial deadline advised is March 2026) and that LGPS pools are expected to fall under FCA regulation. This is a significant period of change for the LGPS and pooling will dominate the agenda going forward. Further, this is all set against a background of local democratic reforms and the potential move to a unitary authority.

2025 is also a statutory valuation year and the pensions dashboards onboarding date is October 2025.

It is anticipated that 2025/26 will see key activities within the following themes:

Team Development:

- Continue to develop staff providing training (including professional qualifications) and opportunities to the team to support staff retention.
- Recognition of staff achievements, dedication and success.
- Manage the departure of previous Head of Pensions and integration of new Head of Pensions and Deputy Head of Pensions.
- Any new starters will be trained, supported in understanding and delivering their responsibilities and integrated into the team.
- Provide opportunities for staff to attend conferences and training courses.

Oversight and Governance:

- Ensure the Fund meets all statutory requirements around the 2025/26 valuation and reporting cycle.
- Ensure the Fund is compliant with all the governance recommendations that come from the “Fit for the Future Review”.
- Build on training provided to Board and Committee members to expand knowledge and drive best practice, ensuring a robust induction for new members.
- Further embed a culture of cyber security and resilience
- Provision of high-quality financial reporting.
- The record keeping of financial information of the pension fund is accurate and complete.
- The cash management of the pension fund has an appropriate strategy for its needs.
- Cash management activities are undertaken to ensure that pension benefits are paid when due.
- Work with ESCC and their project team to implement the new financial system and ensure that the Fund is able to record all relevant information to create its accounts, provide government returns and perform budget monitoring and setting.
- Ensure a robust SLA arrangement is in place between the Fund and ESCC for services provided to the Fund.
- Ensure all policies and procedures are consistently maintained and reviewed, ensuring the Fund remains compliant with any new requirements or changes to existing standards regarding policy publication or format.

Investment:

- Undertake due diligence activities in association with the impact of the changes to pooling in an efficient and robust manner ensuring the best outcomes for Fund members and safeguarding their interests.
- Carry out an analysis to understand the Fund’s future expected cashflow position and develop a long strategy to manage cashflow needs.
- Work with the Fund’s LGPS pool ensuring that the Fund is compliant with government guidance or regulation regarding the changes to pooling.
- Monitor the Fund’s investments and effectiveness of the investment strategy including the performance of its LGPS Pool and its investment managers.
- Implementation of strategic investment decisions, whilst this is retained by ESPF.
- Development and submission of ESG management reporting.
- Ensure any asset transitions required are carried out as cost effectively as possible.

Administration:

- Develop and implement systems and process necessary to ensure the Fund is ready to meet the requirements for the pensions dashboards.
- Ensure high quality and timely data is available to the Fund's actuary to ensure a smooth and accurate valuation process.
- Maintain the high level of administration KPI standards and Data Quality,
- Continue work on the integration of robotics for processing,
- Continue to work to further improve member experience,
- Work to resolve outstanding projects.

Each theme within the Business Plan includes activities planned for the year. The strategic nature of the Fund objectives means that a number of the 2025/26 activities build on work previously undertaken and continue into subsequent years.

Budget

The detailed budget to support the Business plan themes and to carry out day to day administration of the Fund has been assessed at **£4,645k** (£4,561k 2024/25) is detailed in the table below.

Item	2024/25 Budget £000	2024/25 Forecast Outturn £000	2025/26 Budget £000
Fund Staff Costs			
Fund Officers	2,436	2,318	2,460
Sub Total	2,436	2,318	2,460
Oversight and Governance Expenses			
Investment advice	448	357	386
Actuarial fund work	51	53	105
Actuarial employer work	89	90	92
Employer reimbursement	(89)	(90)	(92)
Legal	57	28	49
Governance costs	60	50	60
Audit (internal and external)	120	126	142
Sub Total	736	614	742
Investment Expenses			
Custodian	100	101	106
Sub Total	100	101	106
Administration Expenses			
IT systems licenses costs and hardware	487	529	613
Overheads	531	353	348
Admin operational support services	18	66	65
Improvement projects	87	165	105
Consultancy	20	40	34
Communications	37	33	36
Training	33	20	46
Subscriptions	80	79	77
Other expenses	11	11	18
Sub Total	1,304	1,296	1,342
Income			
Income	(15)	(15)	(5)
Sub Total	(15)	(15)	(5)
Total	4,561	4,314	4,645

Budget Coverage

The Budget covers expenditure and income that is accounted for directly by the Fund where the Fund has control. It does not include the income and expenditure relating to member contributions, transfers in or benefits paid out.

The Fund has not included a budget line for investment manager fee invoices as this is based on the assets under management and the Fund cannot predict market volatility. Most investment management fees are deducted from the investment assets, so this is not comparable year on year and is not complete picture of the cost to the Fund. The complete position of investment management fees is assessed at year end and accounted for in the Financial Accounts.

Fund staff costs include the Pension Fund team and a percentage of S151 officer time.

Investment advice include, investment consultancy, independent adviser, ESG consultancy and costs associated with ACCESS.

Governance cost include the administration of the Pension Board and Committee.

Overheads are recharges from ESCC for ancillary services such as Accounts Payable, Accounts Receivable, Treasury management, IT helpdesk and infrastructure, office space and other associated property costs.

Admin operational support service are postal charges for pensioner related distribution of payslips and the BACS bureau services provided by Surrey County Council

Improvement projects for 2025/26 budget include McCloud, Dashboard and completion of GMP rectification.

Key budget assumptions

The key budget assumptions are set out below:

- Staffing cost assumes that vacancies will be filled at the most realistic opportunity and existing staff continue in post all year.
- The 2025/26 Pay Award is forecast to be 2.5% in line with the ESCC expectations.
- NI rates increasing from 13.8% to 15%, and thresholds decreasing from £9,100 to £5000.
- ESCC employer contribution rate remains at 19.7% of pensionable pay.
- Increments will be applied to staff who are not at the top of their scale (two staff are on protected SCC pay and terms and conditions).
- ACCESS cost is based on the 24/25 budget set by the ACCESS Joint Committee, no provision for costs associated with meeting the Governments 'Fit for the Future' consultation proposals are included.
- The overhead rate charge by ESCC for ancillary services property, IT, business administration and other services is at the same rate as 2024/25.

Business plan deliverables by key theme

Theme	Tasks	2025/26 activity
Team	Staffing	<p>Recruit to fill any vacancies in all teams.</p> <p>Recognise team and individual achievements.</p> <p>Train new staff in their roles and responsibilities.</p> <p>Promote competency-based training for all staff.</p>
	Training	<p>Provide qualifications that will help staff in their career progression.</p> <p>Promote conferences and training events where relevant to ensuring staff are kept up to date on all new regulations and guidance to ensure the Fund provides best practice and high customer service.</p>
Oversight and Governance activities	Support	<p>Enhance and continually improve the training program to develop knowledge and understanding for both new and existing Pension Board and Pension Committee members.</p>
	Cyber Resilience	<p>Ensure all key systems are mapped for data transfers internally and externally to understand risk points.</p> <p>Continue engagement with IT team for testing resilience of systems.</p> <p>Continue to support staff in identifying cyber risk and phishing scams.</p> <p>Ensure cyber security risk is considered in any new procurements.</p>
	Provision of high-quality financial reporting	<p>Creation of the Annual Report by statutory deadlines and in line with guidance</p> <p>Quarterly production of high-quality Budget Monitoring for Board and Committee.</p> <p>Provision of Government returns in line within deadlines.</p> <p>Production of Fund's Financial Statements in line with the accounting code and creation of high-quality Audit Working papers to ensure a quick and smooth audit.</p>

Theme	Tasks	2025/26 activity
	<p>The record keeping of financial information of the pension fund is accurate and complete</p> <p>The cash management of the pension fund has an appropriate strategy for its needs</p> <p>The cash management of the pension fund is undertaken to ensure that pension benefits are paid when due</p> <p>Compliance</p>	<p>Liaise with external auditor as appropriate to ensure that the Fund achieves an unqualified audit opinion.</p> <p>Set an accurate annual Budget and an indicative medium term budget.</p> <p>Develop and maintain accounting controls to ensure correct financial records are held.</p> <p>Work with ESCC and their project team to implement the new financial system and ensure that the Fund is able to record all relevant information to create its accounts and perform budget monitoring.</p> <p>Prompt and accurate payment and raising of invoices.</p> <p>Contribution reconciliation.</p> <p>Investment information accurately and entered timely into the financial system</p> <p>Regular cleansing of cost centres and General Ledger codes.</p> <p>Cash Management Strategy development and implementation in line with valuation outcomes.</p> <p>Daily monitoring of cash levels to ensure benefits can be paid in line with the Cash management strategy.</p> <p>Accurate and timely cashflow forecasting is created to allow for the planning of cash needs.</p> <p>Suspense Codes clearance in a timely and accurate manner to ensure money due to the pension fund has been paid.</p> <p>Ensure compliance with any governance requirements that are implemented following the outcome of the government “Fit for the Future” consultation.</p> <p>Carry out a review of existing internal controls against the requirements of any new Code of Practice produced by The Pensions Regulator including the new General Code.</p>

Theme	Tasks	2025/26 activity
		Continue to develop and evolve internal policies and procedures to ensure best practice is achieved across the various workstreams
Investment	<p>Monitor the Fund's investments and effectiveness of the investment strategy including the performance of its LGPS Pool and its investment managers.</p> <p>Implementation of strategic investment decisions</p> <p>Development and Submission of Environmental, Social and Governance (ESG) and climate risk management information.</p>	<p>Review effectiveness of the current strategy at the strategy meeting to ensure the Fund is best placed to meet its required performance set out in the Funding Strategy Statement.</p> <p>Provide reporting on the performance of the Fund on a strategic asset allocation level and individual mandate basis.</p> <p>Develop our understanding of the costs that the Fund incurs within its investments via the cost transparency initiative.</p> <p>Monitor the costs of the investments are in line with the agreements that the Fund has entered.</p> <p>To meet with all the Fund's investment managers and LGPS pool to ensure challenge and oversight of stewardship of the Fund's assets and investments are in line with the expectations when managers were appointed.</p> <p>Monitoring the assets offering from the LGPS Pool looking at how the operator of the ACS is performing and the performance of the LGPS Pool appointed advisors and managers.</p> <p>The development of the Fund's analysis of its underlying investments to enable a more proactive challenge to the investment managers.</p> <p>Develop a plan to implement any changes to the investment strategy decided upon during the year.</p> <p>Implement strategic changes previously agreed which have not yet been enacted. With a focus on the private credit.</p> <p>Challenge investment managers on holdings and stewardship activity to evidence managers activities are in line with the Funds SIRP and expected RI activities.</p> <p>Continue to develop the Fund's reporting in line with Taskforce for Climate related Financial Disclosures (TCFD) requirements including scenario analysis.</p>

Theme	Tasks	2025/26 activity
		<p>Work with the FRC around consultation on UK stewardship code and build on the submission provided to FRC with a view to the Fund maintaining signatory status.</p> <p>Annual review of the ESG credentials of all managers and develop appropriate analytic metrics to monitor the Fund.</p> <p>Report quarterly the ESG activities.</p> <p>Undertake an annual review of the carbon footprint of the Fund and to assess the transition position of the investments considering targets.</p> <p>Reporting of Fund Activities to Principle of Responsible Investment (PRI) as part of requirements of being a signatory. Reviewing areas where the Fund could improve from the report findings.</p>
Pooling	<p>Work with the LGPS Pool to ensure that the Fund is compliant with government guidance or regulation with regard to pooling.</p> <p>Undertake due diligence activities in association with the impact of the changes to pooling in an efficient and robust manner ensuring the best outcomes for Fund members and safeguarding their interests.</p>	<p>At the time of writing whilst it is unclear as to the outcome of the government “Fit for the Future” consultation and its impact on the ACCESS Pool, Officers will work with ACCESS and, if required, other LGPS Pools to ensure that the Fund complies and invests in line with the Government’s chosen model of pooling.</p> <p>Providing support to the Fund’s representatives to attend the Governance arrangements of the LGPS Pool so that they are able to positively contribute to the decision making of the LGPS Pool.</p> <p>Support the understanding and challenge assumptions around the delivery of the minimum standards of pooling set out by Government by the LGPS Pool.</p> <p>The Fund will support the delivery of its LGPS Pool by engaging with all Governance arrangements that have been put in place. By being represented in all the groups East Sussex will be able to input at every level of the development of LGPS Pool.</p> <p>Support the development and delivery of a plan for either building an asset pooling investment management company or to merge with an LGPS Pool investment management company.</p> <p>Support the development and launch of listed pooling solutions.</p> <p>Support the development non-listed asset pooling options.</p>

Theme	Tasks	2025/26 activity
		<p>Rolling program of engagement with the investment managers on the LGPS Pool platform.</p> <p>Support discussions on RI reporting requirements and provision of suitable reporting.</p>
Administration	<p>Maintain the high level of administration team performance and Data Quality.</p> <p>Completion of robotics for processing</p> <p>Continue to work to improve member experience.</p> <p>Work to resolve outstanding projects.</p>	<p>Maintain the high level of KPI performance</p> <p>Production of Annual Benefit Statement by the statutory deadlines. Include new McCloud wording.</p> <p>Implementation of Pensioner CPI Pension Increase.</p> <p>Management of data submitted through i-Connect, forms, MSS and other input sources. Ensuring staff Altair task lists are managed effectively and KPI's achieved.</p> <p>Producing high TPR validator common/conditional scores</p> <p>Create a Digital Assistant (chatbot) to answer FAQ's that sits on the Fund website.</p> <p>Complete the project work on the redress of benefit calculations in relation to the Guaranteed Minimum Pension (GMP)</p> <p>Implement the McCloud data & process calculations to determine whether in scope members would have been better off in the CARE or final salary scheme.</p>