

Bath & North East Somerset Council

MEETING: AVON PENSION FUND COMMITTEE

MEETING DATE: 27 MARCH 2015

**AGENDA
ITEM
NUMBER 11**

TITLE: 2015 - 18 SERVICE PLAN AND BUDGET

WARD: 'ALL'

AN OPEN PUBLIC ITEM

List of attachments to this report:

Annex 1: 2015 – 18 Service Plan and Budget (including 4 Appendices)

1 THE ISSUE

- 1.1 The purpose of this report is to present to Committee the 3 Year Service Plan and Budget for the period 1 April 2015 to 31 March 2018.
- 1.2 The Service Plan (Appendix 1) details development proposals that are planned to be undertaken during the next 3 financial years. These are designed to respond to known legislative changes and Committee initiatives as well as to take the Service forward by improving performance and overall quality of service to its stakeholders.

2 RECOMMENDATION

- 2.1 That the Committee approves the 3 Year Service Plan and Budget for 2015-18 for the Avon Pension Fund.

3 FINANCIAL IMPLICATIONS

- 3.1 The administrative and management costs incurred by the Avon Pension Fund are recovered from the employing bodies through the employers' contribution rates.
- 3.2 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 provide that any costs, charges and expenses incurred administering a pension fund may be paid from it.
- 3.3 Financial implications are contained within the body of the Report.

4 SERVICE PLAN 2015-18

4.1 The Service Plan sets out the Pension Fund's objectives for the next three years. The three year budget supports the objectives and actions arising from the plan including work relating to the investment strategy and improvements in the administration of the Fund.

4.2 The main focus of this plan is as follows:

- (i) to ensure the Fund complies with The Pension Regulator requirements;
- (ii) develop and implement an IT strategy to achieve a digital step change in service delivery and to mitigate service demand growth;
- (iii) to develop a medium term funding strategy
- (iv) to explore the options for more effective matching of liabilities
- (v) support the introduction of Pension Boards

The later years will focus on consolidation, realising efficiencies and embedding partnership working with stakeholders.

4.3 Full details of the 2015-18 Service Plan are included in the Annex. Appendix 3 of the Service Plan shows the new medium term targets for 2015-18

5 BUDGET FOR 2015-18

5.1 The Service Plan includes details of the proposed budget and cash flow forecast over this period. The three-year budget and cash flow forecast commencing 1 April 2015 are included as **APPENDIX 4A** to the Service Plan. A commentary on the budget is given in **APPENDIX 4B**.

5.2 The budget is split between those areas that relate to the administration of the Fund in terms of providing the administration service to members and employers, and those areas where there is less scope to directly control the costs. The latter areas include Investment Management and Custody costs where the fee structure is agreed by the Fund but the actual costs incurred are dependent upon investment performance and the volume of transactions. They also include governance and compliance expenses which are a consequence of the Fund's policy response to regulations and investment strategy. The budget also includes the estimated costs of the pension board. The LGPS regulations require the costs of local pension boards to be met by the local fund.

5.3 The budget approved for Administration, in 2014/15 was £2,383,600. In the proposed budget for 2015/16 this has been reduced to £2,378,600. The budget includes gross savings of £224,000 that have been made through changes in working arrangements and the greater adoption of digital technology. £71,400 of

these savings have had to be used to meet the costs of additional responsibilities, regulations and inflation. It is proposed that a further £147,600 of the savings will be invested in the IT Strategy that will make further use of digital technology resulting in further future reductions in costs. Wherever possible inflation has been absorbed. The Service Plan includes an analysis of the difference between the administration budget for 2014/15 and the administration budget for 2015/16.

5.4 The inclusion of the three year cash flow forecast reflects the need to monitor the Fund's cash flow since it ceased to be continuously cash flow positive. The close monitoring of the Fund's cash flow position is a vital tool in the management of the cash flow that is achieved through its investment strategy.

6 RISK MANAGEMENT

6.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. In addition it monitors the benefits administration, the risk register and compliance with relevant investment, finance and administration regulations. The creation of an Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

7 EQUALITIES

7.1 An equalities impact assessment is not necessary.

8 CONSULTATION

8.1 N/a

9 ISSUES TO CONSIDER IN REACHING THE DECISION

9.1 Are detailed in the report.

10 ADVICE SOUGHT

10.1 The Council's Monitoring Officer (Divisional Director – Legal & Democratic Services) and Section 151 Officer (Divisional Director - Business Support) have had the opportunity to input to this report and have cleared it for publication.

Contact persons	<p>Budget – Martin Phillips, Finance & Systems Manager (Pensions) (01225 395259)</p> <p>Service Plan – Tony Bartlett, Head of Business, Finance and Pensions (01225 477302), Geoff Cleak, Pensions Manager (01225 395277), Liz Woodyard, Investments Manager (01225 395306)</p>
Background papers	Various Accounting Records