

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	11 DECEMBER 2015
TITLE:	PENSION FUND BUDGET AND CASHFLOW MONITORING (1) EXPENDITURE FOR YEAR TO 31 OCTOBER 2015 (2) CASHFLOW FORECAST
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 Summary Financial Accounts: Year to 31 October 2015 Appendix 1A Summary Budget Variances: Year to 31 October 2015 Appendix 2 Cash Flow Forecast	

1 THE ISSUE

1.1 The purpose of this report is to inform the Committee of administration and management expenditure incurred against budget for the 7 months to 31 October 2015. This information is set out in Appendices 1 and 1A.

1.2 This report also contains the Cash Flow forecast for the year to 31 March 2016.

2 RECOMMENDATION

That the Committee notes:

2.1 Administration and management expenditure incurred for 7 months to 31 October 2015

2.2 Cash Flow Forecast to 31 March 2016

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.

4 COMMENT ON BUDGET

- 4.1 The summary Financial Accounts for the 7 months to 31 October 2015 are contained in **Appendix 1**.

The forecast for the year to 31 March 2016 is for expenditure to be £843,000 under budget. Within the directly controlled Administration budget expenditure is forecast to be £50,000 below budget. The forecast reduction in directly controlled expenditure results from the delay in appointing staff to assist in the GMP data reconciliation project and the delay in appointing a Custody & Finance Officer (staff are now in post). There have also been savings on Communication costs. The IT Strategy actual expenditure will accelerate during the second half of the year as projects are put in to action. The full year spend on the strategy is therefore expected to be on budget.

- 4.2 In that part of the budget that is not directly controlled, expenditure is forecast to be under budget by £793,000. This underspend all relates to Investment manager fees. The reduced spending is due to market returns being below the level assumed in the preparation of the budget. This is offset slightly by higher performance related fees than anticipated when setting the original budget which are payable in 2015/16.
- 4.3 Explanations of the most significant variances are contained in **Appendix 1A** to this Report.

5 CASH FLOW FORECAST

- 5.1 The Service Plan includes a cash flow forecast which is monitored within this report. In recent years the Fund has changed from being cash flow positive (accumulating cash from contributions at a greater rate than paying out cash in benefits and expenses) to being cash flow negative (excluding investment income). This is part of the normal life cycle of a pension fund. The change has necessitated a much closer monitoring and forecasting of cash flows. Negative cash flows are managed by using the income from the investment portfolio. Details of the cash flow forecast for the whole Fund are given in **Appendix 2**.
- 5.2 The 2015-2018 Service Plan included a cash flow forecast showing a net outflow in 2015/16 of just over £24m.

The actual cash flow to 31 October was a net inflow of just under £1m against a budgeted outflow of £14m for the same period. The variance was due to the receipt of a termination deficit payment from an employer exiting the Fund and the payment by some employers of annual deficit recovery contributions for 2015/16 in full in April 2015 instead of in monthly instalments (the effect of these advance payments unwinds during the year and so has no effect overall in the full year).

Pension lump sum payments were lower than expected while investment income received as cash was higher than budgeted. These factors were offset by the bulk transfer payment relating to Probation Service members transferring to the Greater Manchester Fund and higher than expected pension payments.

As a result the current forecast for the full year is for a net outflow of £15.6m against a budgeted outflow of £24.2m. This forecast includes a repayment to Bristol City

Council for the £4.5m contribution overpayments that were previously reported to committee.

6 EQUALITIES

6.3 No items in this Report give rise to the need to have an equalities impact assessment.

7 CONSULTATION

7.3 None appropriate.

8 ISSUES TO CONSIDER IN REACHING THE DECISION

8.3 There are no other issues to consider not mentioned in this Report

9 ADVICE SOUGHT

9.3 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 person	Martin Phillips Finance & Systems Manager (Pensions) Tel: 01225 395259.
Background papers	Various Accounting and Statistical Records
Please contact the report author if you need to access this report in an alternative format	