

**Bath & North East Somerset Council**

MEETING: **AVON PENSION FUND COMMITTEE**

MEETING DATE: **18 MARCH 2016**

AGENDA  
ITEM  
NUMBER

**11**

TITLE: **2016 - 19 SERVICE PLAN AND BUDGET**

WARD: 'ALL'

**AN OPEN PUBLIC ITEM**

**List of attachments to this report:**

**Annex 1: 2016 – 19 Service Plan and Budget (including 5 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 2016 to 31 March 2019.
- 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 2016-19 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 2016-19**

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, risk management and compliance and improvements in the administration of the Fund.

4.2 The main focus of this plan is as follows:

- (i) To fully engage in the development of pooled funds in the interest of the Avon Pension Fund
- (ii) to strengthen the resources available to cope with future demand pressures and manage risk and compliance
- (iii) to continue implementation of the IT strategy to achieve a digital step change in service delivery and to mitigate service demand growth;
- (iv) to deliver the valuation and revised funding strategy
- (v) to continue work on Liability Driven Investment and undertake an asset liability review to ensure the Fund manages its cashflows effectively.
- (vi) to continue to 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 2016-19 Service Plan are included in the Annex. Appendix 3 of the Service Plan shows the new medium term targets for 2016-19

### **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 2016 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 2015/16 was £2,412,100. In the proposed budget for 2016/17 this has been increased to £2,657,200. The budget

includes gross savings of £80,000 that have been made through changes in working arrangements and the greater adoption of digital technology. These savings have contributed to the additional costs included to meet the pressures of dealing with the increasing number of employers. The other major additional cost pressure arises from the government's change in the system of making NI contributions. Year on year savings approved in the 2015/16 budget will continue to be invested in the three year IT Strategy that will further develop use of digital technology resulting in further future reductions in costs. Wherever possible inflation has been absorbed. Appendix A includes a table of the main "one off" expenditure items and ongoing savings over the three years of the budget period.

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 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.

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