

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	18 MARCH 2016
TITLE:	PENSION FUND BUDGET AND CASH FLOW MONITORING (1) EXPENDITURE FOR YEAR TO 31 JANUARY 2016 (2) CASHFLOW FORECAST
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 Summary Financial Accounts: Year to 31 January 2016 Appendix 1A Summary Budget Variances: Year to 31 January 2016 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 10 months to 31 January 2016. 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 10 months to 31 January 2016.

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 10 months to 31 January 2016 are contained in **Appendix 1**.

The forecast for the year to 31 March 2016 is for expenditure to be £1,494,000 under budget. Within the directly controlled Administration budget expenditure is forecast to be £98,000 below budget. The forecast reduction in directly controlled expenditure mainly results from the delay in appointing staff to assist in the GMP data reconciliation project and the delay in appointing a Custody & Finance Officer. In Communications there have been savings in the cost of distributing newsletters and in Central Allocated Costs there have been savings as a result of flexible working. Further potential savings in this area are being investigated. The IT Strategy actual expenditure is expected to accelerate during the final quarter 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 £1,396,000. This underspend mainly relates to lower Investment manager fees caused by market returns being lower than assumed when the budget was set. This is slightly offset by performance fees relating to previous years but payable in 2015/16 being higher than anticipated. In addition there have been reduction in the fee rates applied to a couple of mandates due to changes in these mandates. There is also reduced forecast spending on investment consultancy costs largely due to the postponement of the Responsible Investment review and for member training.
- 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. 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 taking more 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 January was a net outflow of £9.5m against a budgeted outflow of £20.2m for the same period. The variance was mainly due to the receipt of a large termination deficit payment from an employer exiting the Fund and one employer paying their deficit contributions annually rather than triennially as assumed in the Service Plan. These factors were partially offset by higher than budgeted transfers out of the fund. These transfers included the £2.6m bulk transfer payment relating to Probation Service members transferring to the Greater Manchester Fund.

Pension payments were higher than expected, but this was more than offset by lower lump sum payments.

Higher than forecast cash outflows relating to administration costs reflect the fact that an Investment Manager appointed during the year invoice their fees, replacing a mandate where fees were deducted at source. Future service contributions are slightly lower than budgeted due to Bristol City Council recouping their £4.5m overpayments that were previously reported to Committee.

The current forecast for the full year is for a net outflow of £16.1m against a budgeted outflow of £24.2m. The forecast variance of a £8.1m smaller net outflow over the whole year is the net result of higher pension payments, invoiced investment management fees and transfers out, offset by lower lump sum payments, a large termination deficit payment in and a large deficit contribution being paid in annually as opposed to triennially as assumed in the 2015/16 Service Plan.

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)) (<i>Budgets</i>) 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	