

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	24 JUNE 2016
TITLE:	PENSION FUND BUDGET AND CASH FLOW MONITORING (1) EXPENDITURE FOR YEAR TO 31 MARCH 2016 (2) CASHFLOW REPORT
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 Summary Financial Accounts: Year to 31 March 2016 Appendix 1A Summary Budget Variances: Year to 31 March 2016 Appendix 2 Cash Flow Report: Year to 31 March 2016	

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 year to 31 March 2016. This information is set out in Appendices 1 and 1A.

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

2 RECOMMENDATION

That the Committee notes:

2.1 Administration and management expenditure incurred for the year to 31 March 2016.

2.2 Cash Flow Report for the year 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 year to 31 March 2016 are contained in **Appendix 1**.
- 4.2 The expenditure for the year to 31 March 2016 was £1,898,000 under budget. Within the directly controlled Administration budget expenditure was £253,000 below budget. The underspend in directly controlled expenditure resulted from holding a team leader post open pending restructure and delays in appointing staff to assist in the GMP data reconciliation project and to fill the vacant Custody & Finance Officer post.

There were also savings in Communication Costs through greater use of on line access. The imposition of fines for non-compliance by employers increased income although it is hoped that this source of income will fall in future as greater compliance is achieved. Some spending on the IT Strategy was delayed in order to take advantage of future new software releases.

- 4.2 In that part of the budget that is not directly controlled, expenditure was £1,645,000 under budget. The underspend mainly related to Investment manager fees. The reduced spending was due to changes in mandates leading to lower fee rates and markets performing below the level assumed in the preparation of the budget. This was partially offset by higher performance fees than provided for in the budget (some of these fees relate to previous years but were payable in 2015/16).
- 4.3 Explanations of the most significant variances are contained in Appendix 1A to this Report.

5 CASH FLOW REPORT

- 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 for the year to 31 March 2016 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 for the year was a net outflow of £14m producing a variance of £10m smaller outflow. 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 including 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 more of our Investment Managers now invoice their fees as opposed to deducting them at source.

In summary the variance of a £10m 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.

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Background papers	Various Accounting and Statistical Records
Please contact the report author if you need to access this report in an alternative format	