

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	23 SEPTEMBER 2016
TITLE:	PENSION FUND ADMINISTRATION (1) EXPENDITURE FOR YEAR TO 31 JULY 2016 (2) CASHFLOW FORECAST
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 Summary Financial Accounts: Year to 31 July 2016 Appendix 1A Summary Budget Variances: Year to 31 July 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 4 months to 31 July 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 2017.

2 RECOMMENDATION

That the Committee notes:

2.1 The administration and management expenditure incurred for 4 months to 31 July 2016.

2.2 The budget for Stage 3a of the pooling project.

2.3 The Cash Flow Forecast to 31 March 2017.

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 4 months to 31 July 2016 are contained in **Appendix 1**.

The forecast for the year to 31 March 2017 is for expenditure to be £154,400 under budget. Within the directly controlled Administration budget expenditure is forecast to be £186,900 below budget. The forecast reduction in directly controlled expenditure is mainly due to the holding over of expenditure on the IT strategy as the product offer regarding Employer Self Service is being revised. There is also forecast reduced expenditure on salaries as a result of the delayed appointment staff and expected savings in Communications.

- 4.2 In that part of the budget that is not directly controlled, expenditure is forecast to be over budget by £32,500 due to increased custody fees. More portfolios are now included in the hedging programme and this has increased transaction costs.
- 4.3 Explanations of the most significant variances are contained in Appendix 1A to this Report.
- 4.4 Stage 2 of the pooling project (up to July proposal) came in slightly under budget at £31,000.
- 4.5 The budget for Stage 3a was signed off by the Chief Financial Officers and Monitoring Officers Group (FLAG) meeting on 7 September 2016. This budget covers delivery of the full business case including independent advice requested by FLAG to validate the robustness of the business case and project team resources. It does not include the cost of officer time on the project (except for the project team). DCLG have reaffirmed that all costs of pooling are chargeable to local funds. The set up costs will be offset by future savings in investment management fees.
- 4.6 The committee is asked to note further expenditure of £75,000 for Stage 3a of the pooling project as agreed by the s151 Officer.

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 2016 - 2019 Service Plan included a cash flow forecast showing a net outflow in 2016/17 of just over £17.4m.

The actual cash flow to 31 July was neutral against a budgeted outflow of c£6m for the same period. The difference was due to lower lump sum payments than were

expected and some deficit recovery contributions being paid for the whole year in April. The effect of these advance contribution payments unwinds during the year and so has no effect overall in the full year. Investment income received as cash was also higher than budgeted.

The expected outturn for the year to 31 March 2017 remains as forecast in the Service Plan as it is expected that these differences will be offset by future variances.

6 EQUALITIES

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

7 CONSULTATION

7.1 None appropriate.

8 ISSUES TO CONSIDER IN REACHING THE DECISION

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

9 ADVICE SOUGHT

9.1 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.

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