

Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	9 DECEMBER 2016
TITLE:	PENSION FUND BUDGET AND CASH FLOW MONITORING (1) EXPENDITURE FOR YEAR TO 31 OCTOBER 2016 (2) CASHFLOW FORECAST
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 Summary Financial Accounts: Year to 31 October 2016 Appendix 1A Summary Budget Variances: Year to 31 October 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 7 months to 31 October 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 7 months to 31 October 2016.

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 7 months to 31 October 2016 are contained in **Appendix 1**.

The forecast for the year to 31 March 2017 is for expenditure to be £1,355,200 over budget. Within the directly controlled Administration budget expenditure is forecast to be £205,400 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 of staff and there are 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 £1,560,600 mainly due to increased Investment Manager Fees as a result of the 6% increase in asset values in the quarter. Custody fees are also higher than budgeted as 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.

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 gross in-flow of c£150m and a gross out-flow of c£167m giving a net outflow in 2016/17 of just over £17.4m.

The actual cash flow to 31 October was an outflow of c£6.6m against a budgeted outflow of c£10m 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. These were partially offset by lower than budgeted future service payments. The effect of the advance contribution payments unwinds during the year and so has no effect overall in the full year. The proportion of management fees invoiced (as opposed to being deducted at source) was greater than forecast in the Service Plan resulting in additional cash out-flow.

The expected outturn for the year to 31 March 2017 is currently forecast to be a cash outflow of c£3m more than forecast in the Service Plan if the current trends continue.

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	