

<b>Bath &amp; North East Somerset Council</b>	
MEETING:	<b>AVON PENSION FUND COMMITTEE</b>
MEETING DATE:	<b>24 MARCH 2017</b>
TITLE:	<b>PENSION FUND ADMINISTRATION</b> <b>(1) EXPENDITURE FOR YEAR TO 31 JANUARY 2017</b> <b>(2) CASHFLOW FORECAST</b>
WARD:	<b>ALL</b>
<b>AN OPEN PUBLIC ITEM</b>	
<b>List of attachments to this report:</b> Appendix 1      Summary Financial Accounts: Year to 31 January 2017 Appendix 1A     Summary Budget Variances: Year to 31 January 2017  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 2017. 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 set out in Appendix 2.

## **2 RECOMMENDATION**

### **That the Committee notes:**

- 2.1 The administration and management expenditure incurred for 10 months to 31 January 2017.
- 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 10 months to 31 January 2017 are contained in **Appendix 1**.

The forecast for the year to 31 March 2017 is for expenditure to be £798,700 over budget. Within the directly controlled Administration budget expenditure is forecast to be £183,900 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 of staff and increased income from recharges of the cost of services.

- 4.2 In that part of the budget that is not directly controlled, expenditure is forecast to be over budget by £982,600 mainly due to increased Investment Manager Fees as a result of higher than expected market levels. 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 January was an outflow of c£14.9m against a budgeted outflow of c£14.5m for the same period. The difference was due to a combination of factors the largest of which being lower lump sum payments than were expected and higher net transfers out. A further factor within "Administration costs" has been an increase in the proportion of management fees invoiced (as opposed to being deducted at source) 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£4.4m more than forecast in the Service Plan.

## **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 funding strategy, 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.

## **7 EQUALITIES**

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

## **8 CONSULTATION**

8.1 None appropriate.

## **9 ISSUES TO CONSIDER IN REACHING THE DECISION**

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

## **10 ADVICE SOUGHT**

10.1 The Council's Monitoring Officer (Head of 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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<b>Background papers</b>	Various Accounting Records
<b>Please contact the report author if you need to access this report in an alternative format</b>	