

Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	23 JUNE 2017
TITLE:	PENSION FUND ADMINISTRATION (1) EXPENDITURE FOR YEAR TO 31 MARCH 2017 (2) CASHFLOW FORECAST
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 Summary Financial Accounts: Year to 31 March 2017 Appendix 1A Summary Budget Variances: Year to 31 March 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 year to 31 March 2017. This information is set out in Appendices1 and 1A.
- 1.2 This report also contains the Cash Flow report for the year ending 31 March 2017.

2 RECOMMENDATION

That the Committee notes:

- 2.1 The administration and management expenditure incurred for the year to 31 March 2017.
- 2.3 The Cash Flow report for the year 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 year to 31 March 2017 are contained in **Appendix 1**.

The expenditure for the year to 31 March 2017 was £1,328,000 over budget. Within the directly controlled Administration budget expenditure was £267,500 below budget. This was very largely due to lower than budgeted expenditure on salaries as a result of the delayed appointment of staff following the re-structuring of the Administration teams. It was also due to the holding over of expenditure on the IT strategy as the product offer regarding Employer Self Service is being revised.

- 4.2 In that part of the budget that is not directly controlled, expenditure was £1,595,500 over budget, mainly due to increased Investment Manager Fees as a result of market movements. 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 March was an outflow of c£16.6m. The relatively small variation of £0.8m was due to a combination of factors the largest of which being lower lump sum payments than were expected and higher Future Service Contributions than forecast. The higher Future Service Contributions were largely due to a higher value of Augmentation (Strain on the Fund) payments in respect of early retirements. These factors were offset by increased cash out-flows relating to "Administration costs". This was as a result of an increase in the proportion of investment management fees invoiced, as opposed to being deducted at source.

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