

Bath & North East Somerset Council

MEETING: **AVON PENSION FUND COMMITTEE**

MEETING DATE: **23 MARCH 2018**

AGENDA
ITEM
NUMBER

TITLE: **2018 - 21 SERVICE PLAN AND BUDGET**

WARD: 'ALL'

AN OPEN PUBLIC ITEM

List of attachments to this report:

Annex 1: 2018 – 21 Service Plan and Budget (including 5 Appendices)

1 THE ISSUE

- 1.1 The purpose of this report is to present to Committee the 3 Year Service Plan and Budget for the period 1 April 2018 to 31 March 2021.
- 1.2 The Service Plan (Appendix 1) details development proposals that are planned to be undertaken during the next 3 financial years. These are designed to respond to known legislative changes and Committee initiatives as well as to take the Service forward by improving performance and overall quality of service to its stakeholders.

2 RECOMMENDATION

- 2.1 That the Committee approves the 3 Year Service Plan and Budget for 2018-21 for the Avon Pension Fund.

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 2016 provide that any costs, charges and expenses incurred administering a pension fund may be paid from it.
- 3.3 Financial implications are contained within the body of the Report.

4 SERVICE PLAN 2018-21

- 4.1 The Service Plan sets out the Pension Fund's objectives for the next three years. The three year budget supports the objectives and actions arising from the plan including work relating to the investment strategy, risk management and compliance and improvements in the administration of the Fund.
- 4.2 The main focus of this plan is as follows:
- (i) To work with Brunel Client Group and Brunel to ensure efficient transition of assets and full consideration of investment, financial and governance issues. Ensure Committee and Board kept up to date of progress.
 - (ii) To complete implementation of the IT strategy to achieve a digital step change in service delivery and to mitigate service demand growth;
 - (iii) To undertake an interim valuation to provide indication for budgeting and to review funding strategy and implications for investment strategy.
 - (iv) To undertake a review of the Administration strategy to include development of a new chargeable service offer.
- 4.3 Full details of the 2018- 21 Service Plan are included in the Annex. Appendix 3 of the Service Plan shows the new medium term targets for 2018-21

5 BUDGET FOR 2018-21

- 5.1 The Service Plan includes details of the proposed budget and cash flow forecast over this period. The three-year budget and cash flow forecast commencing 1 April 2018 are included as **APPENDIX 4A** to the Service Plan. A commentary on the budget is given in **APPENDIX 4B**.
- 5.2 The budget is split between those areas that relate to the administration of the Fund in terms of providing the administration service to members and employers, and those areas where there is less scope to directly control the costs. The latter areas include Investment Management and Custody costs where the fee structure is agreed by the Fund but the actual costs incurred are dependent upon investment performance and the volume of transactions. They also include governance and compliance expenses which are a consequence of the Fund's policy response to regulations and investment strategy. The budget also includes the estimated costs of the pension board. The LGPS regulations require the costs of local pension boards to be met by the local fund.
- 5.3 The budget approved for Administration in 2017/18 was £2,820,205. In the proposed budget for 2018/19 this has been increased to £2,940,186. The budget includes some re-categorisation of expenditure between Administration, Communication and Payroll Communication costs to better reflect their functions. Year on year savings approved in the 2015/16 budget were set aside to fund the IT

Strategy. Following a change in the IT systems supplier's product offer this expenditure has previously been delayed. Part of the associated budget has now been transferred to fund a one off tracing project. The balance is being used to further develop use of digital technology through the enhanced admin to payroll development and through the roll out of I-Connect and associated Employer Self Service solution by all small and medium size employers. Within Governance and Compliance there is additional budget to meet the cost of an interim valuation, preparatory work for the 2019 Triennial Valuation and quarterly risk management reporting. With the advent of the Brunel Pensions Partnership their management fees are now shown separately. These will not be fully offset by savings until the transition of assets has been completed.

5.4 The inclusion of the three year cash flow forecast reflects the need to monitor the Fund's cash flow since it ceased to be continuously cash flow positive. The close monitoring of the Fund's cash flow position is a vital tool in the management of the cash that is achieved through its investment strategy.

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 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. The creation of an Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

7 EQUALITIES

7.1 An equalities impact assessment is not necessary.

8 CONSULTATION

8.1 N/a

9 ISSUES TO CONSIDER IN REACHING THE DECISION

9.1 Are detailed in the report.

10 ADVICE SOUGHT

10.1 The Council's Monitoring Officer (Divisional Director – Legal & Democratic Services) and Section 151 Officer (Strategic Director of Resources) have had the opportunity to input to this report and have cleared it for publication.

Contact persons	<p>Budget – Martin Phillips, Finance & Systems Manager (Pensions) (01225 395259)</p> <p>Service Plan – Tony Bartlett, Head of Business, Finance and Pensions (01225 477302), Geoff Cleak, Pensions Manager (01225 395277), Liz Woodyard, Investments Manager (01225 395306)</p>
Background papers	Various Accounting Records