

Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	23 MARCH 2018
TITLE:	PENSION FUND ADMINISTRATION (1) EXPENDITURE FOR YEAR TO 31 JANUARY 2018 (2) CASHFLOW FORECAST
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report: 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 2018. 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 2018.

2 RECOMMENDATION

That the Committee notes:

- 2.1 The administration and management expenditure incurred for 10 months to 31 January 2018.
- 2.3 The Cash Flow Forecast to 31 January 2018.

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 2018 are contained in **Appendix 1**.

The forecast for the year to 31 March 2018 is for expenditure to be £1,064,700 over budget. Within the directly controlled Administration budget expenditure is forecast to be £198,900 under budget. The forecast reduction in directly controlled expenditure is mainly due to the continued holding over of expenditure on the IT strategy that previously resulted in the carrying forward of the unspent balance from last year. The under spend was due to the product offer from the supplier regarding Employer Self Service being revised. Reduced expenditure on salaries is also forecast as a result of delays in filling vacant posts on the Benefits team and the need to review the requirements of the Investments team in the light of the advent of the Brunel Pensions Partnership.

- 4.2 In that part of the budget that is not directly controlled, expenditure is forecast to be over budget by £1,263,600. This is almost entirely a result of changes to Investment Manager's mandates and a higher than forecast increase in asset values.
- 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 2017 - 2020 Service Plan included a cash flow forecast showing a gross in-flow of c£189.2m and a gross out-flow of c£172.8m giving a net inflow in 2017/18 of just over £16.4m.

The actual cash flow to 31 January was an inflow of c£19m against a budgeted inflow of c£13.7m for the same period. The difference was mainly due to lump sum benefit payments being lower than expected. It is also partly due to the receipt of advance deficit contribution payments in April. The deficit payments relating to future years have been excluded but the advance payments for the current year are included. The variance relating to these will unwind during the rest of the year.

These factors increasing the net inflow of cash have been partially offset by an increase in the payment of Investment Management fees by cash (as opposed to being deducted at source). This factor is included as part of Administration costs.

The expected outturn for the year to 31 March 2018 is currently forecast to be a cash inflow of c£12.6m, £4m less than forecast in the Service Plan.

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 (Strategic Director - Resources) 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	