

Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	7 DECEMBER 2018
TITLE:	PENSION FUND ADMINISTRATION (1) EXPENDITURE FOR YEAR TO 31 OCTOBER 2018 (2) CASHFLOW FORECAST
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 Summary Financial Accounts: Year to 31 October 2018 Appendix 1A Summary Budget Variances: Year to 31 October 2018 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 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 2019. This information is set out in Appendix 2

2 RECOMMENDATION

That the Committee notes:

- 2.1 The administration and management expenditure incurred for 7 months to 31 October 2018.
- 2.3 The Cash Flow Forecast at 31 October 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 7 months to 31 October 2018 are contained in **Appendix 1**.

The forecast for the year to 31 March 2018 is for expenditure to be £142,202 below budget. Within the directly controlled Administration budget expenditure is forecast to be £192,202 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. 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.

- 4.2 In that part of the budget that is not directly controlled, there is a forecast overspend of £50,000 for custody fees. This relates to invoices paid in current year for services provided in 17/18 (in 17/18 there was an under spend of £28,000). Invoicing was delayed due to change in custodian in December 2017. The current custody fees are in line with the budget.
- 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 divestments and 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 2018 - 2021 Service Plan included a cash flow forecast for 2018/19 showing a gross in-flow of c£178.3m and a gross out-flow of c£177.9m giving a net inflow of just under £0.4m. The forecast gross inflow included £26m divestments and investment income.

The actual cash flow to 31 October was an inflow of c£20.0m against a budgeted inflow of c£0.2m for the same period. The difference was mainly due to the drawing down of £35m divestments and investment income cash in a single transfer.

The forecast outturn for the year to 31 March 2019 is currently a cash inflow of c£3.1m more than predicted in the Service Plan. This is due to higher than predicted payment of benefits, partly offset by higher receipts of future service contributions. The cash inflow is also due to the drawdown of divestment and investment income cash which is expected to be greater than the requirement for the current year.

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 and Section 151 Officer 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	