

Bath & North East Somerset Council

MEETING: **AVON PENSION FUND COMMITTEE**

MEETING DATE: **22 MARCH 2019**

AGENDA
ITEM
NUMBER

11

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

WARD: 'ALL'

AN OPEN PUBLIC ITEM

List of attachments to this report:

Annex 1: 2019 – 22 Service Plan and Budget (including 4 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 2019 to 31 March 2022.
- 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 2019-22 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 2019-22

- 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 all investment, financial and governance issues. Ensure Committee and Board kept up to date of progress.
 - (ii) To implement the revised Admin Strategy and new employer Service Level Agreement including the option of a new chargeable service offer.
 - (iii) To undertake the 2019 triennial valuation and review the implications for investment strategy.
 - (iv) To continue the implementation of the IT strategy to achieve a digital step change in service delivery and to mitigate service demand growth.
- 4.3 Full details of the 2019- 22 Service Plan are included in the Annex. Appendix 3 of the Service Plan shows the new medium term targets for 2019-22

5 BUDGET FOR 2019-22

- 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 2019 are included as **APPENDIX 4** to the Service Plan.
- 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 2018/19 was £2,940,186. In the proposed budget for 2019/20 this has been increased to £3,441,335. The increase will provide additional staffing in Member Services, for technical training and development and in the Investment Team. There is also additional budget for IT developments and one off projects to check mortality and for tracing. Within Governance and Compliance the increased net budget is largely to meet the cost of the 2019 valuation but also because the proportion of actuarial work that is rechargeable is expected to reduce. Within Investment Fees the increase is mainly

due to Performance related fees. The investment management fees for the assets managed by Brunel are shown separately. These will not be fully offset by savings until after 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