

Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	22 MARCH 2019
TITLE:	PENSION FUND ADMINISTRATION (1) EXPENDITURE FOR YEAR TO 31 JANUARY 2019 (2) CASHFLOW FORECAST
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 Summary Financial Accounts: Year to 31 January 2019 Appendix 1A Summary Budget Variances: Year to 31 January 2019 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 2019. This information is set out in Appendices1 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 10 months to 31 January 2019.

2.2 The Cash Flow Forecast at 31 January 2019.

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.

4 COMMENT ON BUDGET

- 4.1 The summary Financial Accounts for the 10 months to 31 January 2019 are contained in **Appendix 1**.
- 4.2 The forecast for the year to 31 March 2019 is for expenditure to be £111,202 below budget.

Within the directly controlled Administration budget expenditure is forecast to be £191,202 under budget. The forecast reduction in directly controlled expenditure is mainly related to salaries, in particular delays in filling vacant posts. The IT Strategy is also under spent by £71,202, due to the product offer from the supplier regarding Employer Self Service being revised. This budget had previously been brought forward from 17/18.

- 4.2 In that part of the budget that is not directly controlled, there is a forecast overspend of £80,000. Custody fees are forecast to be overspent by £50,000. This relates to invoices paid in the current year for services provided in 17/18 (in 17/18 there was an under spend of £28,000). Invoicing was delayed due to the change in custodian in December 2017. The 2018/19 custody fees are in line with the budget. Brunel Management Fees are charged a quarter in advance – the current budget forecast is an over spend of £45,000 due to extra costs approved by Shareholders during the year. Compliance costs are predicted to be overspent by £30,000, mainly due to higher costs of the interim valuation, specifically around data quality. There is a forecast underspend on investment advice of £40,000 as fewer projects undertaken than envisaged at beginning of the year.
- 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. Net cash outflows 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 showing a gross in-flow of c£178.3m and a gross out-flow of c£177.9m giving a net inflow in 2018/19 of just under £0.4m. The forecast gross inflow included £26m divestments and investment income.

The actual cash flow to 31 January was an inflow of c£0.6m against a budgeted outflow of c£12.4m for the same period. The difference was mainly due to the drawing down of £35m divestments and investment income cash in a single transfer,

rather than taking it in smaller transfers throughout the year as was the previous practise.

The forecast outturn for the year to 31 March 2019 is currently a cash inflow of c£6.1m more than predicted in the Service Plan. Despite higher than predicted payments of Lump Sum benefits, these are more than offset by higher receipts of future service contributions and the advanced drawing down of investment income as explained above. The net cash inflow for the year will reduce the size of the required draw down of divestment and investment income cash in 2019/20.

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	