

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	21 JUNE 2019
TITLE:	PENSION FUND ADMINISTRATION (1) EXPENDITURE FOR YEAR TO 31 MARCH 2019 (2) CASHFLOW FOR YEAR TO 31 MARCH 2019
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 Summary Financial Accounts: Year to 31 March 2019 Appendix 1A Summary Budget Variances: Year to 31 March 2019 Appendix 2 Cash Flow: Year to 31 March 2019	

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 year to 31 March 2019. This information is set out in Appendices 1 and 1A.
- 1.2 This report also contains the Cash Flow report for the year ending 31 March 2019. This is set out in Appendix 2.

2 RECOMMENDATION

That the Committee notes:

- 2.1 The administration and management expenditure incurred for the year to 31 March 2019.
- 2.2 The Cash Flow report for the year to 31 March 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 year to 31 March 2019 are contained in **Appendix 1**.

The expenditure for the year to 31 March 2019 was £15,000 over budget.

Within the directly controlled Administration budget expenditure was £196,000 below budget. This was largely due to a £107,000 underspend on salaries as a result of delays in filling vacant posts. The IT Strategy was also under spent by £72,200 due to the product offer from the supplier regarding Employer Self Service being revised. The IT Strategy budget had previously been brought forward from 2017/18.

- 4.2 In that part of the budget that is not directly controlled, expenditure was £215,000 over budget. Compliance costs were over spent by £89,000. There were slightly higher costs relating to the interim valuation, particularly with regard to data quality in preparation for the 2019 valuation. In addition, there was more work done by the Fund relating to specific employer issues (e.g. change in regulations for exit credits). Custody fees were overspent by £56,000 partly due to charges relating to services provided in 2017/18 being charged to 2018/19 (in 2017/18 Custody fees were under spent). A £70,000 increase in Brunel Management fees was a result of extra costs approved by shareholders during the year. These over spends were partly offset by less expenditure on consultants fees than had been budgeted.
- 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 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 forecast net inflow in 2018/19 of just under £0.4m.

The actual cash flow to 31 March was an inflow of c£4.2m (including investment income). The variation of £3.8m was due to a combination of factors. The largest of which being higher pension benefits payments than were expected and higher net transfers out. These were partly offset by higher than forecast contributions. Over all these factors resulted in a net outflow of £3.3m more than forecast. This variance was managed by increasing the forecast Divestments and income received as cash by £9.0m, leaving a net cash inflow of £4.2m to be carried forward in to 2019/20.

6 CLIMATE CHANGE

6.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint. The Fund acknowledges the financial risk to its assets from climate change and addresses this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

7 EQUALITIES

7.1 No items in this Report give rise to the need to have an equalities impact assessment.

8 CONSULTATION

8.1 None appropriate.

9 ISSUES TO CONSIDER IN REACHING THE DECISION

9.1 There are no other issues to consider not mentioned in this Report

10 ADVICE SOUGHT

10.1 The Council's Monitoring Officer and Section 151 Officer have had the opportunity to input to this report and have cleared it for publication.

Contact person	David Richards, Finance & Systems Manager (Pensions) Tel: 01225 395369.
Background papers	Various Accounting Records
Please contact the report author if you need to access this report in an alternative format	