

## Bath & North East Somerset Council

MEETING:	<b>AVON PENSION FUND COMMITTEE</b>
MEETING DATE:	<b>6 DECEMBER 2019</b>
TITLE:	<b>PENSION FUND ADMINISTRATION (1) EXPENDITURE FOR YEAR TO 31 OCTOBER 2019 (2) CASHFLOW FORECAST</b>
WARD:	<b>ALL</b>
<b>AN OPEN PUBLIC ITEM</b>	
<b>List of attachments to this report:</b> Appendix 1 Summary Financial Accounts: Year to 31 October 2019 Appendix 1A Summary Budget Variances: Year to 31 October 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 7 months to 31 October 2019. 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 2020. 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 2019.
- 2.3 The Cash Flow Forecast at 31 October 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 7 months to 31 October 2019 are contained in **Appendix 1**.
- 4.2 The forecast for the year to 31 March 2020 is for expenditure to be £156,700 below budget. The forecast reduction in directly controlled expenditure is mainly due to reduced expenditure on salaries. This is due to a delay in filling vacant posts, mainly due to managerial position changes. Communications related costs have slightly offset this underspend. These relate to an additional bulk mailout and costs relating to the Pensions newsletter from 18/19 (18/19 was consequently underspent by the same amount).
- 4.3 Governance & Compliance is currently underspent by £284,786. The budgets within this area include the Valuation and Strategic Investment review. These projects are still in progress and so it is not currently possible to predict a full year variance.
- 4.4 There is also no forecast variance relating to expenditure which is outside the direct control of the Pension Fund.
- 4.5 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 2019 - 2022 Service Plan included a cash flow forecast showing a gross in-flow of c£190.0m and a gross out-flow of c£190.6m giving a net inflow in 2019/20 of £0.6m. The forecast gross inflow included £34m divestments and investment income.  
  
The actual cash flow to 31 October was an outflow of c£15.0m against a budgeted outflow of c£13.4m for the same period. The difference was mainly due to the timing of when divestments are to be made. Divestments are made when the actual cash balances held fall below £10m. A further £10m is due to be drawn down in December 2019.  
  
The forecast outturn for the year to 31 March 2020 is currently a cash inflow of c£5.6m more than predicted in the Service Plan. This is due to higher than predicted receipts of future service contributions, deficit recovery and net transfers into the fund.

**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 appropriate investment, funding and administration strategies in place and that they are regularly monitored. In addition, it monitors the risk register, annual budget and compliance with relevant investment, finance and administration regulations.

**7 CLIMATE CHANGE**

7.1 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 is in the process of addressing this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

**8 OTHER OPTIONS CONSIDERED**

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

**9 CONSULTATION**

10.1 The Council's Monitoring Officer (Head of Legal & Democratic Services) and Section 151 Officer (Director of Finance) have had the opportunity to input to this report and have cleared it for publication.

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<b>Background papers</b>	Various Accounting Records
<b>Please contact the report author if you need to access this report in an alternative format</b>	