

Bath & North East Somerset Council			
MEETING:	AVON PENSION FUND COMMITTEE		
MEETING DATE:	26 JUNE 2020	AGENDA ITEM NUMBER	13
TITLE:	Pension Fund Budget and Cash Flow Monitoring (1) EXPENDITURE FOR YEAR TO 31 MARCH 2020 (2) CASHFLOW FOR YEAR TO 31 MARCH 2020		
WARD:	ALL		
AN OPEN PUBLIC ITEM			
List of attachments to this report:			
Appendix 1	Summary Financial Accounts: Year to 31 March 2020		
Appendix 1A	Summary Budget Variances: Year to 31 March 2020		
Appendix 2	Cash Flow for year to 31 March 2020		

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 2020. This information is set out in Appendices 1 and 1A.
- 1.2 This report also contains the Cash Flow 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 the year to 31 March 2020.
- 2.3 The Cash Flow report for the year to 31 March 2020.

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 2020 are contained in **Appendix 1**.
- 4.2 The expenditure for the year to 31 March 2020 was £538,700 under budget.
- 4.3 Within the directly controlled Administration budget expenditure was £380,300 under budget. This was largely due to a £281,400 underspend on salaries as a result of delays in filling vacant posts (the majority of which were for managerial position changes). There were also further underspends relating to IT Strategy (£56,300) and new server costs of (£55,300). The new server cost budget is proposed to be carried forward into the 20/21 budget and the IT Strategy is to be reallocated to consultancy on IT systems review.
- 4.4 In the part of the budget that is not directly controlled expenditure there was an underspend of £158,400 compared to budget. Predominantly this underspend was in relation to an underspend on compliance costs (£116,350). This underspend can be attributed to contingency set aside for ad-hoc work that didn't materialise in the valuation period.
- 4.5 Explanations of the most significant variances are contained in Appendix 1A to this Report.

4 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 March was an inflow of c£17.2m against a budgeted outflow of £0.6m for the same period. The difference was mainly due to higher than budgeted contributions received (£5.6m) and an increase in the minimum cash balance held from £10m to £20m. The minimum cash balance was increased as a precautionary measure in the light of the COVID-19 pandemic.

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

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

9 CONSULTATION

- 9.1 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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Background papers	Various Accounting Records
Please contact the report author if you need to access this report in an alternative format	