

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	26 MARCH 2021	AGENDA ITEM NUMBER
TITLE:	PENSION FUND ADMINISTRATION (1) EXPENDITURE FOR YEAR TO 28 FEBRUARY 2021 (2) CASHFLOW FORECAST	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 Summary Financial Accounts: Year to 28 February 2021 Appendix 1A Summary Budget Variances: Year to 28 February 2021 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 11 months to 28 February 2021. 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 2021. This information is set out in Appendix 2

2 RECOMMENDATION

That the committee notes:

- 2.1 The administration and management expenditure incurred for 11 months to 28 February 2021.**
- 2.1 The Cash Flow Forecast at 28 February 2021.**

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 11 months to 28 February 2021 are contained in **Appendix 1**.
- 4.2 The forecast for the year to 31 March 2021 is for expenditure to be £839,500 below budget.
- 4.3 Within the directly controlled Administration budget expenditure is forecast to be £548,295 under budget. The forecast reduction in directly controlled expenditure is largely related to salaries, due to delays in filling vacant posts. There are also predicted underspends in relation to staff travel and training, because of the pandemic. There are further underspends relating to communications and information systems.
- 4.4 In the part of the budget that is not directly controlled, the forecast for the year is an underspend of £291,205. This underspend is a combination of a predicted overspend of £147,000 relating to actuarial costs offset by a larger predicted underspend of £383,500 relating to Brunel Management Fees. There are further underspends relating to recruitment of a new independent member and the associated recruitment of a new Pension Board member.
- 4.6 We do not forecast a variance for investment management fees as they are based on asset values. However, the budget included estimates for performance fees, pre pandemic, which have not been incurred. This accounts for most of the actual reduction in fees year to date.
- 4.7 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 2020 - 2023 Service Plan included a cash flow forecast showing a gross in-flow of c£197.5m and a gross out-flow of c£197.2m giving a net inflow in 2020/21 of just over £0.4m. The forecast gross inflow included £7m divestments and investment income.
- 5.3 The actual cash flow to 28 February was an inflow of c£14m against a budgeted inflow of c£1.4m for the same period resulting in a £12.6m higher inflow than originally predicted. The higher inflow was due to higher than expected future service contributions (£6.9m) and a positive transfer in/out to the fund (£3.4m), which due to its nature, is not predicted.
- 5.4 It is currently predicted that a combination of higher than predicted future service contributions (£7.5m) and a positive contribution of transfers in/out of the fund (£3.7m) will lead to a positive cashflow of £13.8m more than the original prediction in the Service Plan for the year to 31 March 2021.

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 in line with the Council’s Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and is addressing this through its strategic asset allocation to Low Carbon and Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

7 EQUALITIES

7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

8 OTHER OPTIONS CONSIDERED

8.1 None.

9 CONSULTATION

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	