

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE		
MEETING DATE:	28 JUNE 2021	AGENDA ITEM NUMBER	16
TITLE:	PENSION FUND ADMINISTRATION (1) EXPENDITURE FOR YEAR TO 31 MARCH 2021 (2) CASHFLOW FOR YEAR TO 31 MARCH 2021		
WARD:	ALL		
AN OPEN PUBLIC ITEM			
List of attachments to this report: Appendix 1 Summary Financial Accounts: Year to 31 March 2021 Appendix 1A Summary Budget Variances: Year to 31 March 2021 Appendix 2 Cash Flow for year to 31 March 2021			

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 2021. 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 2021. 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 2021.
- 2.3 The Cash Flow report for the year to 31 March 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 year to 31 March 2021 are contained in **Appendix 1**.
- 4.2 The expenditure for the year to 31 March 2021 was £398,820 under budget.
- 4.3 Within the directly controlled Administration budget expenditure was £479,707 under budget. This was largely due to a £368,951 underspend on salaries because of delays in filling vacant posts. There are also underspends in relation to staff travel and training, because of the pandemic (£36,592). There are further underspends relating to communications (£45,337) and information systems (£28,818).
- 4.4 In the part of the budget that is not directly controlled there was an overspend of £80,887 compared to budget. This overspend relates to actuarial costs (£116,596) and the external audit fee for the Final Accounts (£14,350). These overspends are partially offset by an underspend on travel and training of investments staff due to the pandemic (£14,611) and recruitment underspends relating to appointments to the Avon Pension Fund Committee and Pension Board (£35,000).
- 4.5 The 2020/21 estimate for investment management fees included c. £9m for performance fees. During the year no performance fees were paid due to the fall in markets in the beginning of the year.
- 4.6 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 2020 - 2023 Service Plan included a cash flow forecast showing a gross in-flow of c£197.6m and a gross out-flow of c£197.2m giving a net inflow in 2020/21 of £0.4m. The forecast gross inflow included £7m divestments and investment income.

Excluding divestments, the actual cash flow to 31 March was an inflow of c£30.6m against a budgeted outflow of £6.7m for the same period. The difference was mainly due to higher than budgeted contributions received (£19.8m). The main reason for the difference is the calculation of budgeted contributions undervalued the level of employee contributions. This calculation has been changed for 21/22, which should give a more accurate prediction for the year. There was also an increase in the minimum cash balance held from £10m to £20m at the start of the financial year.

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.

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	