

Bath & North East Somerset Council			
MEETING:	AVON PENSION FUND COMMITTEE		
MEETING DATE:	10 DECEMBER 2021	AGENDA ITEM NUMBER	
TITLE:	PENSION FUND ADMINISTRATION (1) EXPENDITURE FOR YEAR TO 31 OCTOBER 2021 (2) CASHFLOW FOR YEAR TO 31 OCTOBER 2021		
WARD:	ALL		
AN OPEN PUBLIC ITEM			
List of attachments to this report:			
Appendix 1	Summary Financial Accounts: Year to 31 October 2021		
Appendix 1A	Summary of main budget variances: Year ending 31 March 2022		
Appendix 2	Cash Flow for year to 31 October 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 October 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 2022. 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 2021.
- 2.2 The Cash Flow forecast as at 31 October 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 7 months to 31 October 2021 are contained in **Appendix 1**.
- 4.2 The forecast for the year to 31 March 2022 is for expenditure to be £174,568 below budget.
- 4.3 Within the directly controlled Administration budget expenditure was predicted to be £147,610 under budget. The forecast reduction in directly controlled expenditure is mainly related to salaries, in particular delays in filling vacant posts.
- 4.4 In the part of the budget that is not directly controlled expenditure was predicted to be £26,958 under budget. Again, the forecast reduction relates to a delay in filling a vacant post.
- 4.5 The Funding and Risk Management Group (FRMG) first convened in August 2021 and has met monthly since then. The FRMG comprises of APF Investments team and Mercers, and it reports back to the Investment Panel quarterly. Extra costs for the year to 31 March 2022 relating to the monthly meetings and reports are currently being funded by known underspends in the consultancy budget and contingency. Therefore the forecast outturn is currently predicted to be on budget.

### **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 2021 - 2024 Service Plan included a cash flow forecast showing a gross in-flow of c£196.1m and a gross out-flow of c£195.9m giving a net inflow in 2021/22 of £0.2m. The forecast gross inflow included £27m divestments and investment income.
- 5.3 Excluding divestments, the actual cash flow to 31 October was an inflow of c£11.8m against a budgeted inflow of £8.1m for the same period. The difference was mainly due to higher than budgeted contributions received (£3.4m).
- 5.4 The forecast outturn for the year to 31 March 2022 is currently a cash inflow of c£6.4m more than predicted in the Service Plan. It is currently predicted that than predicted contributions will lead to a positive cashflow before transfers to/from the custodian of £20.4m.

### **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 addresses this through its strategic asset allocation to Paris Aligned Global Equities, Sustainable 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.

<b>Contact person</b>	David Richards Finance & Systems Manager (Pensions)) Tel: 01225 395369.
<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>	