



**Glasgow City Council**

**Strathclyde Pension Fund Committee**

**Report by Director of Strathclyde Pension Fund**

**Contact: Stuart Tough Ext: 70385**

**Item 11**

**3<sup>rd</sup> March 2021**

**Finance Update**

**Purpose of Report:**

To present financial statements comprising:

- a 2020/21 administration cost monitoring statement; and
- a 2020/21 cash flow statement.

**Recommendations:**

The committee is asked to NOTE the contents of this report.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes  No  consulted: Yes  No

## 1 Introduction

Financial transactions and data for the Strathclyde Pension Fund are held and processed on a number of different systems. These can be broken broadly into three areas as follows.

- **Funding:** long term cash flows and financing requirements are assessed in the three yearly actuarial valuation carried out by Hymans Robertson.
- **Investment:** detailed investment records are maintained by the Fund's external investment managers and global custodian and summarised in regular investment reports.
- **Administration:** pensions benefits are calculated and recorded on the *Altair* pensions system within Strathclyde Pension Fund Office (SPFO). Payments are made from and received into the SPFO bank account. The Council's SAP-based financial systems are used for reporting. This report presents a current overview of the administration costs and cash flow for SPFO.

## 2 Administration Cost Monitoring Statement

The summary statement below shows administration costs for 2020/21 to period 11 – ending 15<sup>th</sup> January 2021. The statement shows total net budgeted expenditure for the year of **£3.730 million** and a total underspend for the year to date of **£0.059 million**. This small underspend is mainly due to the impact of the COVID-19 pandemic across the service which has reduced the property, and supplies and services costs due to reduced occupancy of the office buildings. This is slightly offset by an increase in contracted services costs due to additional work relating to the triennial actuarial valuation in the year. Employee costs are underspent due to a delay in the implementation of the new administration staffing structure as a result of the pandemic.

<b>2020/21 Annual Budget £000</b>	<b>SPFO Budget</b>	<b>2020/21 Actual YTD £000</b>	<b>2020/21 Budget YTD £000</b>	<b>2020/21 Variance YTD £000</b>
3,557	<b>Employee costs</b>	2,542	2,584	-42
529	<b>Property costs</b>	479	487	-8
1,081	<b>Supplies and services</b>	473	513	-40
1	<b>Transport costs</b>	0	1	-1
325	<b>Contracted services</b>	355	325	30
1,137	<b>Central Support</b>	0	0	0
<b>6,630</b>	<b>Total Expenditure</b>	<b>3,849</b>	<b>3,910</b>	<b>-61</b>
-180	Income	-178	-180	2
<b>6,450</b>	<b>Net Expenditure</b>	<b>3,671</b>	<b>3,730</b>	<b>-59</b>

In accordance with the Local Government Pension Scheme regulations, administration costs are charged against the Fund and do not represent a direct charge to Council Tax.

### 3 Cash Flow Statement

The cash flow statement shows receipts, payments and current cash balances. The summary statement below shows net outflows originally estimated to exceed inflows by **£105 million**. The current projection is that income for the year will be slightly higher than originally estimated and expenditure will be lower resulting in a much smaller net outflow than anticipated. Main cause of this is a reduction in the volume of lump sum payments being made in the year so far. There has been no requirement for any transfers from investments to date. Transfers from investment balances can be made as necessary, but it is likely that the balance of **£70 million** at the end of period 11 will be sufficient for the remainder of the year.

	<b>Total To period 11 £000</b>	<b>Estimate 2020/21 £000</b>	<b>Probable Outturn £000</b>
<b>Opening Balance</b>	<b>174,701</b>	<b>174,701</b>	<b>174,701</b>
<b><u>Income</u></b>			
<b>Employee Contributions</b>	103,551	155,253	155,326
<b>Employer Contributions</b>	329,712	460,981	494,568
<b>Added Years Employee</b>	320	609	480
<b>Additional Employer</b>	11,431	25,525	17,147
<b>Transfer Values In</b>	1,624	8,168	1,949
<b>Charges to Employers</b>	61	0	74
<b>Other Income</b>	10	204	12
	<b>446,709</b>	<b>650,740</b>	<b>669,556</b>
<b><u>Expenditure</u></b>			
<b>Pensions</b>	421,210	513,063	505,452
<b>Lump Sums</b>	84,771	161,615	101,725
<b>Death Grants</b>	15,921	17,791	19,105
<b>Refund of Contributions</b>	1,096	1,624	1,315
<b>Transfer Values Out</b>	10,627	32,672	12,752
<b>Manager Fees</b>	16,641	27,880	28,674
<b>Admin Costs</b>	1,311	6,450	6,450
	<b>551,577</b>	<b>761,095</b>	<b>675,473</b>
<b>Net Addition/Reduction(-)</b>	<b>-104,868</b>	<b>-110,355</b>	<b>-5,917</b>
<b>Closing Balance</b>	<b>69,833</b>	<b>64,346</b>	<b>168,784</b>
<b>Transfers from Investments</b>	0		0
<b>Revised Closing Balance</b>	<b>69,833</b>	<b>64,346</b>	<b>168,784</b>

## 4 Policy and Resource Implications

### Resource

#### Implications:

<i>Financial:</i>	None
<i>Legal:</i>	None
<i>Personnel:</i>	None
<i>Procurement:</i>	None

**Council Strategic Plan:** Strathclyde Pension Fund aligns with the theme of a well governed city.

### Equality and Socio-Economic Impacts:

*Does the proposal support the Council's Equality Outcomes 2017-22* Equalities issues are addressed in the Fund's Responsible Investment strategy, in the scheme rules which are the responsibility of Scottish Government and in the Fund's Communications Policy which has been the subject of an Equalities Impact Assessment.

*What are the potential equality impacts as a result of this report?* No specific equalities impacts.

*Please highlight if the policy/proposal will help address socio economic disadvantage.* Not applicable

### Sustainability Impacts:

*Environmental:* No impact

*Social, including opportunities under Article 20 of the European Public Procurement Directive:* No impact

*Economic:* No impact

**Privacy and Data Protection impacts:** None

## 5 Recommendations

The committee is asked to note the contents of the report.