

Financial Reporting

Cash Flow

The Fund operates a rolling three year cash flow which is estimated and monitored on a quarterly basis. There are several unknowns within the cash flow such as transfers in and out of the fund and also drawdowns and distributions across the Fund's Property and Private Equity portfolio for which the current allocation is 25% of the Fund. Cash flow predictions for the drawdowns and distributions are reassessed annually to incorporate the actuals for the year and any further commitments agreed during the period. The following table shows a summarised final cash flow for 2017/18. This is purely on a cash basis and does not take into account any movements in asset values or management investment fees which are included in the pooled vehicles and accounted for at the year end, nor any year end accruals.

2017/18	Estimate £000	Actual £000	Variance £000
Opening In House Cash	(13,623)	(13,623)	
Payments			
Pensions	55,860	57,452	1,592
Lump Sums & Death Grants	15,000	13,500	(1,500)
Transfers Out	3,200	5,600	2,400
Expenses (including In House)	3,400	3,935	535
Support Services	120	120	
Total Payments	77,580	80,607	3,027
Income			
Employer Contributions	(34,100)	(34,617)	(517)
Employee Contributions	(14,000)	(15,259)	(1,259)
Employer Deficit Payments	(51,784)	(52,612)	(828)
Transfers In	(2,000)	(4,813)	(2,813)
Pension Strain	(1,200)	(1,057)	143
Income	(100)	(29)	71
Total Income	(103,184)	(108,387)	(5,203)
Cash Flow net of Investment Income	(25,604)	(27,780)	(2,176)
Investment Income	(3,000)	(3,540)	(540)
Investment Expenses	3,000	3,035	35
Total Net of In House Investments	(25,604)	(28,285)	(2,681)
In House Drawdowns	47,008	73,893	26,885
In House Distributions	(77,834)	(52,294)	25,540
Net Drawdown/Distributions	(30,826)	21,599	52,425
Net External Manager Cash	40,000	(879)	(40,879)
Total Net Cash Flow	(16,430)	(7,565)	8,865
Closing In House Cash	(30,053)	(21,188)	

3 Year Cash Flow Forecast

The following table shows the cash flow forecasts for the next three years to March 2021. These are purely on a cash basis and do not take into account any movements in asset values or management investment fees which are included in the pooled vehicles and accounted for at the year end, nor any year end accruals. An estimate of the asset valuation has been included at the end of the table and has been based on a targeted investment strategy which looks to produce an overall return of 6.5% per annum. Estimates of Manager pooled investment fees are included in the budget report which follows the cash flow report.

	2018/19 £000	2019/20 £000	2020/21 £000
Opening Cash	(21,188)	(4,288)	(5,486)
Payments			
Pensions	59,280	60,040	61,200
Lump Sums & Death Grants	15,000	15,000	15,000
Transfers Out	3,200	3,200	3,200
Expenses (including In House)	3,400	3,400	3,400
Support Services	130	130	130
Total Payments	81,010	81,770	82,930
Income			
Employer Contributions	(35,200)	(36,000)	(36,700)
Employee Contributions	(14,000)	(14,000)	(14,000)
Employer Deficit Payments	(18,123)	(18,247)	(18,247)
Transfers In	(2,000)	(2,000)	(2,000)
Pension Strain	(1,200)	(1,200)	(1,200)
Income	(40)	(40)	(40)
Total Income	(70,563)	(71,487)	(72,187)
Cash Flow net of Investment Income	10,447	10,283	10,743
Investment Income	(3,000)	(3,000)	(3,000)
Investment Expenses	3,000	3,000	3,000
Total net of In House Investments	10,477	10,283	10,743
In House Drawdowns	86,790	62,238	63,146
In House Distributions	(80,337)	(73,809)	(68,109)
Net Drawdowns/Distributions	6,453	(11,481)	5,780
Rebalancing Portfolio			
Total Cash Flow	16,900	(1,198)	5,780
Closing Cash	(4,288)	(5,486)	294
Estimated Asset Valuations	1,897	2,020	2,151

Analysis of Operating Expenses

The following table shows the actual operating expenses for the Fund for 2017/18 compared to 2016/17. Actuarial fees decreased as fees were higher in 2016/17 as it was an actuarial year. Consultancy fees decreased in 2017/18, fees in 2016/17 were higher due to additional projects connected with the Liability Driven Investment mandate.

	2016/17 £000	2017/18 £000	Net change £000
<u>Governance & Oversight Expenses</u>			
Employee Costs (Direct)	236	229	(7)
Support & Service Costs (Internal Recharges)	17	23	6
Premises	5	0	(5)
IT (Support & Services)	4	5	1
Other Supplies & Services	58	69	11
Miscellaneous Income	(11)	0	(11)
Audit Fees	39	39	0
Actuarial Fees	335	217	(118)
Consultant Fees	703	511	(192)
Advisor Fees	188	202	14
Legal Fees	59	37	22
Performance Monitoring Fees	57	67	10
Total Governance Expenses	1,690	1,399	(291)
<u>Investment Management Expenses</u>			
Fund Manager Fees	11,200	15,761	4,561
Performance Related Fees	2,919	3,837	918
Transaction Costs	267	941	674
Custody Fees	31	31	0
Total Investment Management Fees	14,417	20,570	6,153
<u>Administration Expenses</u>			
Employee Costs (Direct)	648	812	164
Support & Service Costs (Internal Recharges)	94	105	11
Outsourcing	260	227	(33)
Premises	6	0	(6)
IT (Support & Services)	290	286	(4)
Other supplies & services	70	139	69
Total Administrative Expenses	1,368	1,569	201
Total Fees	17,475	23,538	6,063

The following table shows actual costs for 2017/18 compared to the budgeted costs along with the budget for 2018/19. The difference in manager fees compared to budget reflects the additional cost transparency from Managers, including Private Markets. Additional commitments have also been made in these areas. Outsourcing costs for the GMP reconciliation were only partly implemented during 2017/18.

	2017/18 £000 Actual	2017/18 £000 Budget	2017/18 £000 Variance	2018/19 £000 Budget
<u>Governance & Oversight Expenses</u>				
Employee Costs (Direct)	229	238	(9)	243
Support & Service Costs (Internal Recharges)	23	15	8	18
IT (Support & Services)	5	9	(4)	5
Other Supplies & Services	69	50	19	87
Audit Fees	39	40	(1)	40
Actuarial Fees	217	202	15	324
Consultant Fees	458	399	59	589
Advisor Fees	202	187	15	178
Legal Fees	37	40	(3)	24
Pooling	53	N/A	53	224
Total Governance Expenses	1,332	1,180	152	1,732
<u>Investment Management Expenses</u>				
Fund Manager Fees	20,539	11,878	8,661	16,593
Custody Fees	31	34	(3)	31
Performance Monitoring Fees	67	58	9	66
Pooling		N/A		50
Total Investment Management Fees	20,637	11,970	8,667	16,740
<u>Administration Expenses</u>				
Employee Costs (Direct)	649	762	(113)	776
Support & Service Costs (Internal Recharges)	105	75	30	66
Outsourcing	227	900	(673)	1000
Premises	0			
IT (Support & Services))	271	250	21	413
Other supplies & services	139	70	69	106
Member Self Service	15	75	(60)	0
Total Administrative Expenses	1,406	2,132	(726)	2,361
Employer Liaison Team				
Employee costs (Direct)	163	144	19	194
Total Costs	23,538	15,426	8,112	21,027