

Cherwell District Council

Council

20 May 2020

Pension Fund – Advance Payments

Report of Director of Finance

This report is public

Purpose of report

To consider and approve advance payments to the Oxfordshire Pension Fund in order to lower the overall cost over a three-year period.

1.0 Recommendations

The meeting is recommended:

- 1.1 To consider and approve making an advance payment at the end of May 2020 of £3.4m to the Oxfordshire Pension Fund covering the payments due of £1.7m for 2021/22 and 2022/23, reducing the overall cost to the Council.

2.0 Introduction

- 2.1 The Council has the opportunity to take advantage of making advance payments to the Oxfordshire Pension Fund to reduce the overall cost to the Council over the three-year period 2020/21, 2021/22 and 2022/23.

3.0 Report Details

- 3.1 The Council has taken advantage of making advance payments to the Oxfordshire Pension Fund over the last three years concluding in 2019/20 and the Pension Fund's Actuary Hymans Robertson has provided the Council with the opportunity to continue this arrangement for a further three-year period of advance payments for 2020/21, 2021/22 and 2022/23, reducing the overall cost of the pension fund contributions to the Council.
- 3.2 The arrangement will begin during 2020/21 and conclude in 2022/23 with an overall payment of £5.1m being paid during 2020/21, equating to £1.7m per year with an overall saving to the Council of £333k and 6%. This is an attractive reduction in the overall cost and allows the Council to take advantage of utilising balances that are attracting low rates of interest within its overall Treasury Management Strategy.

- 3.3 The Council has budgeted for the advance payment and will use a Council Reserve to manage the accounting arrangements.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The arrangement of making advance payments to the Oxfordshire Pension Fund will allow the Council to benefit from a lower overall contribution over a three-year period.

5.0 Consultation

- 5.1 This arrangement has been discussed and agreed with the Lead Member for Financial Management and Governance.

6.0 Alternative Options and Reasons for Rejection

- 6.1 None applicable.

7.0 Implications

Financial and Resource Implications

- 7.1 The arrangement of making advance payments to the Oxfordshire Pension Fund has both budgetary and cash provision within the Councils accounts and will fit within the Council's overall Treasury Management Strategy.

The advance payment will save the Council £333k and 6% in overall terms.

Comments checked by:

Dominic Oakeshott, Assistant Director Finance (Interim), 01295 227943,
dominic.oakeshott@cherwell-dc.gov.uk

Legal Implications

- 7.2 The Council would rely on its general power of competence under s.1 Localism Act 2011 for its vires to make such a payment (and/or its subsidiary powers for the discharge of a function under s.111 Local Government Act 1972).

Comments checked by:

Richard Hawtin, Team Leader – Non-contentious, 01295 221695,
richard.hawtin@cherwell-dc.gov.uk

Risk Implications

- 7.3 There is always the risk that the actuarial assumptions resulting in the prepayment calculation are not achieved. The main assumption is that Fund investment returns are above 0% and that Council wage growth is not faster than

2.3% pa. If either of these assumptions are not the case at the next triennial review, then the actual economic benefit to the Council may not be as beneficial as assumed above.

Comments checked by:

Louise Tustian, Head of Insight and Corporate Programmes, 01295 221786,
Louise.tustian@cherwell-dc.gov.uk

8.0 Decision Information

Wards Affected

All

Links to Corporate Plan and Policy Framework

Not applicable

Lead Councillor

Not applicable

Document Information

Appendix No	Title
None	-
Background Papers	
None	
Report Authors	Joanne Kaye – Strategic Business Partner
Contact Information	01295 221545 joanne.kaye@cherwell-dc.gov.uk