

# The S151 Perspective

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## Role of the S151 Officer



- Specific legal responsibilities – established through both legislation and case law

### Legislation

- Section 151 - LAs must make arrangements for the proper administration of their financial affairs and appoint a CFO to have responsibility

### Case Law

- Treasurers not just a servant of the Local Authority but have a fiduciary duty to local taxpayers

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## Role of the S151 Officer



### CIPFA

- Develop and implement strategy - resourcing and delivering strategic objectives sustainably and in the public interest
- Involved in all material business decisions - ensure immediate and longer term implications are considered and aligned with the financial strategy
- Lead the promotion and delivery of good financial management so that public money is safeguarded and used appropriately, economically, efficiently and effectively.

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## Setting the MTFS



- Secure sustainable finances over 3-5 year period
- Looking beyond short term – focus on outcomes
- Drivers and influences – both internal and external - also largely operate over the medium term:
  - Current economic conditions
  - Central government policy – financial settlement
  - Other income sources
  - Capital programme
  - Staffing requirements

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## But what about the LGPS?



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## But what about the LGPS?



LGPS administering authorities are (almost always!) Local Authority bodies.

The responsibilities of the S151 officer in an admin authority therefore also apply to the pension fund.

**Responsibilities are very similar BUT...**

Drivers of the pension fund's financial position can operate over a much longer timeframe than the MTFS.

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# The Balancing Act



Inherent difficulty in balancing short and medium term demands of budget setting and the MTF5 long term investment horizon and liability profile (up to 80 years) of the pension fund.

CIPFA – ‘Circumstances will arise where the CFO will face conflicts between the pension fund and the wider interests of the administering authority and other employers in the fund’.

Has it always been this way?

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# The Good Old Days?

1980s – early 2000s  
Local authorities’  
fortunes were mixed...



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## ...but pension funds enjoyed a much easier time



Higher gilt yields

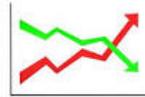


Shorter life expectancy

Strong Cashflows



Predictable relationships between asset classes



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## Times have changed...



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## The Rock



- Sustained squeeze on local government finances
- Funding pressures - 40% real terms cut to government funding from 2010/11, cuts to local council tax support funding, business rate retention (depending on area!)
- Demand pressures - increased demand for older peoples' services, more children taken into care, pressure on homelessness services
- Cost pressures - Waste disposal levies, increasing fuel and utility costs, increased rents.

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## The Hard Place



- A period of unprecedented challenge for the LGPS
- Historic deficits - easier times during the 1980s/90s drove funding caps and contribution holidays for the LGPS
- Longevity risk – Life expectancies at 65 are now 18.7 (M) and 21.2 (F) years. In 2000 they were 15.6 and 18.8 years respectively
- QE and the impact on gilt yields - 15 year gilt yields dropped below 1% in August 2016 – have since increased slightly but still close to all time lows.

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## The Hard Place (continued)



- Equity Valuations - a knock on effect of QE has been to increase equity valuations - meaning lower expected future returns.
- Increased scheme complexity - pressure on administration costs, whilst savings from the 2014 scheme change are delayed by the underpin
- Asset pooling – should help reduce costs in the long term, but have to spend to save!
- Political uncertainty - new administration, intention with regards to the LGPS still unclear
- Brexit – means **Brexit?**

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## GAD & Section 13



- Oversight of local fund valuations by GAD – assessing compliance, consistency, solvency and long-term cost efficiency
- Standardised assumptions – comparison of local valuation results
- Review of funding strategy – are employer contributions set at an appropriate rate to ensure solvency and long term cost efficiency?
- Additional scrutiny of local valuation assumptions.

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## What can S151 officers do?

- Keep doing the day job – effective financial management benefits both the General Fund and the Pension Fund, through a focus on wider business objectives
- Wear both hats – whatever the internal structure of the authority, the S151 officer is a key link between the General Fund and Pension Fund
- Consider the funding impact of contribution rates – only 3 ways to change the funding level...
- Focus on the future – ensuring that funding strategies remain realistic now should make the job easier in the future
- Engage with pools on investment strategy – they will be key to successful delivery.

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## Any questions?



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# Thank you



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