

NORTH YORKSHIRE COUNCIL

PENSION FUND COMMITTEE

01 March 2024

BUDGET AND CASHFLOW

Report of the Treasurer

1.0 PURPOSE OF THE REPORT

1.1 To report on the following:

- | | |
|---|-----------------|
| (a) the 2023/24 budget and the cost of running the Fund | (see section 2) |
| (b) the cashflow projection for the Fund | (see section 3) |

2.0 2023/24 BUDGET - THE COST OF RUNNING THE FUND

- 2.1 The latest forecast outturn position against the 2023/24 budget is presented in **Appendix 1**. It shows an estimated total running cost of £36.0m for the Fund against a budget of £36.8m. The forecast underspend is therefore £0.8m for the financial year.
- 2.2 The initial fall in asset values we have seen at the outset of this year is expected to result in an associated reduction to investment management costs, as most fee arrangements are scaled to the value of assets under management. The overall estimated impact on fees is an underspend of £0.8m over the year. One area of expected variance is a £70k overspend from additional work undertaken during the year by the investment consultant on the Fund's allocation to equities, Border to Coast fund launches, rebalancing activity and other matters. There will inevitably be a number of variances at the year-end but at this stage they are not expected to be significant.

3.0 4 YEAR CASHFLOW PROJECTION

- 3.1 The cash position of the Fund is presented in **Appendix 2**. The table shows the projected cash flows of the Fund for the current financial year and the following three years. This cash flow includes the contribution income and benefits payable, being the main inflows and outflows of the Fund, which are the two key determining factors for when the Fund will turn cash flow negative.
- 3.2 The forecast for pension benefits payments is based on revised assumptions on annual increases in pensioner numbers and inflation. CPI in September 2023 was 6.7% and this will be applied to pension benefits. The assumptions including inflation will continue to be reviewed and updated regularly to reflect any new information that becomes available on future inflation and membership numbers.

- 3.3 The forecast for contribution income is based on the employers' current contribution rates and takes into account the employer results from the 2022 Triennial Valuation. The pay increase for 2023/24 is included in the employer and employee contribution figures, which reflects the conclusion of pay negotiations with local authorities. Future year contributions have been increased in line with the Council's forecast included in its budget. Forecasts for inflation could imply an increase in the region of around 4%, but conversely, the possibility of the Government implementing cuts in public finances could result in downwards pressure.
- 3.4 The overall cash flow position is expected to be a series of steadily increasing deficits projected from 2023/24 through 2024/25, 2025/26, and 2026/27. This is to be expected as the Pension Fund continues to mature.
- 3.5 The cash flow forecast also shows movements relating to the Fund's investments. The first port of call in covering any shortfall will be income distributed to the Fund, such as property rental income, dividends from equities and coupons from bonds. This is already being received to a limited extent. Options available to increase receivable income through Border to Coast will be further explored.

4.0 **RECOMMENDATIONS**

- 4.1 Members to note the contents of the report.

GARY FIELDING
Treasurer to North Yorkshire Pension Fund
North Yorkshire Council
County Hall
Northallerton

21 February 2024

North Yorkshire Pension Fund - 2023/2024 Budget
Cost of Running The Pension Fund

	Budget 2023/2024 £k	Forecast 2023/2024 at Q3 £k	Variance £k
EXPENDITURE			
<u>Admin Expenses</u>			
Finance and Central Services	470	470	-
Provision of Pensioner Payroll (ESS)	80	80	-
Pensions Administration Team	1,460	1,460	-
McCloud	50	50	-
Other Admin Expenses	620	620	-
Total Admin Expenses	2,680	2,680	-
<u>Oversight and Governance</u>			
Actuarial Fees	60	60	-
Custodian Fees	70	70	-
Investment Consultant Fees	150	220	70
Pooling: Governance & Projects	550	540	- 10
Other O & G Expenses	100	100	-
Total Oversight and Governance	930	990	60
<u>Investment Fees</u>			
Performance Fees	2,660	2,572	- 88
Investment Base Fees	30,540	29,800	- 740
Total Investment Fees	33,200	32,372	- 828
TOTAL	36,810	36,042	- 768

North Yorkshire Pension Fund - Cash Flow

	2023/2024 £k	2024/2025 £k	2025/2026 £k	2026/2027 £k
SCHEME PAYMENTS				
Benefits				
Pensions	(122,000)	(134,000)	(142,000)	(150,000)
Lump Sums	(30,000)	(31,000)	(32,000)	(33,000)
	(152,000)	(165,000)	(174,000)	(183,000)
Transfers out	(19,900)	(20,200)	(20,500)	(20,800)
Refunds to leavers	(800)	(900)	(1,000)	(1,100)
	(20,700)	(21,100)	(21,500)	(21,900)
Operational Expenses				
Admin Expenses	(2,700)	(2,900)	(3,000)	(3,100)
Oversight and Governance	(1,000)	(1,100)	(1,100)	(1,100)
	(3,700)	(4,000)	(4,100)	(4,200)
TOTAL PAYMENTS	(176,400)	(190,100)	(199,600)	(209,100)
SCHEME RECEIPTS				
Employer and Employee Contributions	141,000	149,000	153,000	156,000
Transfers in	20,300	20,600	20,900	21,200
TOTAL RECEIPTS	161,300	169,600	173,900	177,200
SCHEME SURPLUS/ (DEFICIT)	(15,100)	(20,500)	(25,700)	(31,900)
TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES	15,100	20,500	25,700	31,900
SURPLUS/ (DEFICIT) AFTER INVESTMENT ACTIVITIES	0	0	0	0