

NORTH YORKSHIRE COUNCIL

PENSION FUND COMMITTEE

13 September 2024

BUDGET AND CASHFLOW

Report of the Treasurer

1.0 PURPOSE OF THE REPORT

1.1 To report on the following:

- | | |
|---------------------------------------------------------------|-----------------|
| (a) the 2024/25 budget and the cost of running the Fund | (see section 2) |
| (b) the cashflow projection for the Fund | (see section 3) |
| (c) update on the Fund's statutory accounts and Annual Report | (see section 4) |

2.0 2024/25 BUDGET - THE COST OF RUNNING THE FUND

2.1 The forecast outturn position against the 2024/25 budget is presented in **Appendix 1**. It shows an estimated total running cost of £38.6m for the Fund against a budget of £38.8m. The early estimate of the underspend for the year is therefore £0.2m.

2.2 The underspend is primarily due to a reassessment of performance fees payable to Baillie Gifford. Also of note, the fee for the external audit will be significantly higher than budgeted. This follows a review of audit fees by the PSAA (Public Sector Audit Appointments) where fees have been reset across the public sector market. This review followed recommendations from an [independent review into the oversight of local audit and the transparency of local authority reporting](#) undertaken by Sir Tony Redmond. The Fund has arguably benefited from unexpectedly low audit fees for many years, and the higher fees are considered a more realistic representation of the necessary work involved.

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 July 2024 was 2.2% and this rate has been assumed for September, which is the rate which will be applied to

uplift pension benefits in April 2025. 2% has been assumed thereafter. The assumptions including inflation will continue to be reviewed and updated regularly to reflect any new information that becomes available.

- 3.3 The forecast for contribution income is based on the employers' current contribution rates and takes into account active member numbers and any expected changes in this regard. Assumptions on pay awards are in line with those of the Fund's largest employer, North Yorkshire Council, in its budget and medium-term financial strategy.
- 3.4 The overall cash flow position is expected to be a series of steadily increasing deficits from 2024/25 into the future. This is to be expected as the Pension Fund continues to mature.
- 3.5 Due to disinvestment activities over the course of the 2023/24 financial year, the Fund held cash well above the usual level in the early part of 2024/25. At the end of June 2024, the cash balance was £120 million or 2.6% of the total value of the Fund. The high rate of interest available in the market has provided a good investment return, with very little risk. As the year progresses, the Fund's cash balances are expected to reduce closer to more normal levels, as the money is used to meet capital calls for infrastructure and private credit investments, as well as support the operational cash requirements.
- 3.6 Discussions are ongoing with Border to Coast on increasing the range of available options for income on investments to be distributed to investors. Currently, few options exist, but this will change ahead of the Fund needing to avail itself as required.

4.0 UPDATE ON THE FUND FINAL ACCOUNTS AND ANNUAL REPORT

- 4.1 At time of writing, the audit of the 2022/23 Statement of Accounts for North Yorkshire County Council, and North Yorkshire Pension Fund, is still not complete. Audit of the Fund's accounts is at the final review stage with the Audit Manager at Deloitte, with few, if any, queries expected. However, as the Fund Accounts form part of the wider Council Accounts, final sign-off of the Fund Account's cannot be completed until the audit of the Council Accounts is also completed. It is understood that Deloitte has now allocated some additional resources to the audit. This should help bring the process to an end, but the timescale is still unclear.
- 4.2 Once the audit of the 2022/23 Statement of Accounts has been completed, this will allow the audit of the Fund's Annual Report to be finished off. The necessary work has been completed some time ago. Then, a final version of the Annual Report 2022/23 will be published on the Fund's website, replacing the draft version.
- 4.3 The Draft 2023/24 Statement of Accounts for both the Fund and North Yorkshire Council were published on the Council's website on 23 August 2024. The Draft Accounts will be presented for consideration at the next meeting of the Council's Audit Committee, on 23 September 2024.

5.0 **RECOMMENDATIONS**

5.1 Members to note the contents of the report.

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

4 September 2024

**North Yorkshire Pension Fund - 2024/25 Budget - Cost of
Running the Pension Fund**

	Budget 2024/25 £k	Forecast 2024/25 at Q1 £k	Variance £k
EXPENDITURE			
Admin Expenses			
Finance and Central Services	490	490	-
Provision of Pensioner Payroll (ESS)	76	76	-
Pensions Administration Team	1,570	1,570	-
McCloud	116	116	-
Other Admin Expenses	662	662	-
Total Admin Expenses	2,914	2,914	-
Oversight and Governance			
Actuarial Fees	65	65	-
Custodian Fees	75	75	-
Consultants Fees	160	160	-
Pooling Operational Charge and Project Costs	540	540	-
Other O & G Expenses	110	170	60
Total Oversight and Governance	950	1,010	60
Investment Fees			
Performance Fees	2,540	2,280	(260)
Investment Base Fees	32,400	32,400	-
Total Investment Fees	34,940	34,680	(260)
TOTAL	38,804	38,604	(200)

North Yorkshire Pension Fund - Cash Flow

	2024/25 £k	2025/26 £k	2026/27 £k	2026/27 £k
SCHEME PAYMENTS				
Benefits				
Pensions	(136,000)	(144,000)	(152,000)	(161,000)
Lump Sums	(39,000)	(40,000)	(41,000)	(42,000)
	(175,000)	(184,000)	(193,000)	(203,000)
Transfers out	(21,500)	(21,800)	(22,100)	(22,400)
Refunds to leavers	(800)	(900)	(1,000)	(1,100)
	(22,300)	(22,700)	(23,100)	(23,500)
Operational Expenses				
Admin Expenses	(2,800)	(2,900)	(3,000)	(3,100)
Oversight and Governance	(1,000)	(1,000)	(1,000)	(1,000)
	(3,800)	(3,900)	(4,000)	(4,100)
TOTAL PAYMENTS	(201,100)	(210,600)	(220,100)	(230,600)
SCHEME RECEIPTS				
Employer and Employee Contributions	149,600	154,000	158,700	163,400
Transfers in	24,100	24,400	24,700	25,000
TOTAL RECEIPTS	173,700	178,400	183,400	188,400
SCHEME DEFICIT	(27,400)	(32,200)	(36,700)	(42,200)