

NORTH YORKSHIRE COUNCIL

PENSION FUND COMMITTEE

22 November 2024

BUDGET AND CASHFLOW

Report of the Treasurer

1.0 PURPOSE OF THE REPORT

1.1 To report on the following:

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|---|--------------------|
| (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 sections 4&5) |

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 £38.7m for the Fund against a budget of £38.8m. The current estimate of the underspend for the year is therefore £0.1m.
- 2.2 There are only a couple of small variances anticipated at this stage. The report to the September 2024 PFC meeting included a forecast underspend on performance fees, which has been reduced following the latest assessment of asset values and performance. The forecast underspend for Other Oversight and Governance Expenses includes the £60k overspend on external audit fees, previously reported to the Committee. The budget for this heading now includes a £90k contingency, which was previously allocated to McCloud in error.

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 a Fund turns cash flow negative.
- 3.2 The forecast for pension benefits payments is based on assumptions on annual increases in pensioner numbers and inflation. The annual Increase in pensioner numbers is currently expected to be around 3.7% based on historic trends and the latest information. With regards to inflation, CPI in September 2024 of 1.7% will be applied to benefit payments and accrued benefits from 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 considers payrolls, 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 forecast is for there 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.
- 3.6 As previously reported to the Committee, discussions are ongoing with Border to Coast on increasing the range of available investment options that could provide distributed income to the Fund. It is expected that a wider array distributing income, significantly more than NYPF's requirements, will become available from April 2024.

4.0 UPDATE ON NYPF ACCOUNTS AND ANNUAL REPORT 2022/23

- 4.1 To remind Members, due to nationwide audit pressures the audits of many local authority financial accounts for the 2022/23 financial year were delayed. North Yorkshire Council was one of these authorities. The audits of the Council's Accounts and NYPF's Accounts have been progressing slowly and, at the time of writing, it is anticipated that a final version of the Council's Accounts, which includes the NYPF Accounts will be taken to the upcoming Audit Committee meeting on 9 December 2024 for approval. The PFC is not required to approve the NYPF Accounts.
- 4.2 No material issues have been identified from the audit of the NYPF Accounts. It continues to be expected that the Fund's auditor Deloitte will issue an unqualified opinion.
- 4.3 The draft NYPF 2022/23 Annual Report, which includes the Fund's Accounts was approved by the Pension Fund Committee on 24 November 2023, and subsequently published by the statutory deadline of 1 December 2023. This document will be separately audited around the time the audit of the NYPF Accounts is due to be completed. A final version of the audited Annual Report can then be published.

5.0 UPDATE ON NYPF ACCOUNTS AND ANNUAL REPORT 2023/24

- 5.1 Due to the delays in previous years audits, the draft 2023/24 Statement of Accounts for North Yorkshire Council which includes the NYPF Accounts was published on the Council's website on 23 August 2024. The documents were then presented to the Council's Audit Committee on 23 September 2024.
- 5.2 The deadline for the publication for the Council's audited Accounts, which includes the Accounts of NYPF, was 30 September 2024. The delayed start of the audit processes for both the Council's and NYPF's Accounts made achieving this deadline impossible. As for the 2022/23 Accounts, this is a national issue affecting many local authorities.

- 5.3 These audits are ongoing and good progress is being made. However, at this time it is not possible to say when the work will be completed.
- 5.4 The publication deadline for the Annual Report is 1 December 2024. As the audit of both the Council's and NYPF's 2023/24 Accounts is still ongoing, it will not be possible to publish a final version by then. However, in line with the approach taken last year, the intention is to publish a draft of the document until the final audited version is available.
- 5.5 it had been hoped that a suitable draft Annual Report 2023/24 could be brought to this meeting for approval. Unfortunately, the delays described above have been compounded by new statutory guidance on the content of the document requiring significant changes. This has meant that it will not be ready for this meeting, although it is expected to be ready by the publication deadline.
- 5.6 A draft Annual Report 2023/24 will therefore be published by 1 December 2024, with a note describing its status. Once an audited final version is ready, it will be brought to this Committee for approval, and subsequently published.

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
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14 November 2024

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

	Budget 2024/25 £k	Forecast 2024/25 at Q2 £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	30	30	-
Other Admin Expenses	662	662	-
Total Admin Expenses	2,828	2,828	-
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	196	142	(54)
Total Oversight and Governance	1,036	982	(54)
Investment Fees			
Performance Fees	2,540	2,487	(53)
Investment Base Fees	32,400	32,400	-
Total Investment Fees	34,940	34,887	(53)
TOTAL	38,804	38,697	(107)

North Yorkshire Pension Fund - Cash Flow

	2024/25 £k	2025/26 £k	2026/27 £k	2026/27 £k
SCHEME PAYMENTS				
Benefits				
Pensions	(137,000)	(145,000)	(153,000)	(162,000)
Lump Sums	(39,000)	(40,000)	(41,000)	(42,000)
	(176,000)	(185,000)	(194,000)	(204,000)
Transfers out	(21,400)	(21,700)	(22,000)	(22,300)
Refunds to leavers	(800)	(900)	(1,000)	(1,100)
	(22,200)	(22,600)	(23,000)	(23,400)
Operational Expenses				
Admin Expenses	(2,900)	(3,000)	(3,100)	(3,200)
Oversight and Governance	(1,000)	(1,000)	(1,000)	(1,000)
	(3,900)	(4,000)	(4,100)	(4,200)
TOTAL PAYMENTS	(202,100)	(211,600)	(221,100)	(231,600)
SCHEME RECEIPTS				
Employer and Employee Contributions	152,000	156,600	161,200	166,100
Transfers in	25,900	26,200	26,500	26,800
TOTAL RECEIPTS	177,900	182,800	187,700	192,900
SCHEME DEFICIT	(24,200)	(28,800)	(33,400)	(38,700)