

North Yorkshire Council
Pension Fund Committee

28 February 2025

Business Plan, Budget and Cashflow Forecast

Report of the Treasurer

1. Purpose of the Report

- 1.1. To report on the progress made against the key business plan activities identified for 2024/25.
- 1.2. To approve the draft Business Plan for 2025/26 to 2027/28.
- 1.3. To approve the draft 2025/26 Budget.
- 1.4. To report on the cashflow forecast of the Fund.

2. Progress Update

- 2.1. In the 2024/25 Business Plan, key actions for the year were identified and approved by Members at the March 2024 Committee meeting. It was agreed that officers would provide a progress report against these key actions. The latest update is attached as **Appendix 1**.

3. Draft 2025/26 Business Plan

- 3.1. The draft 2025/26 Business Plan is attached at **Appendix 2**. It sets out the purpose and strategy of the Fund with activities for the next three years to support the Committee in managing the Fund. The key initiatives are identified, with delivery dates to enable tracking of progress. The plan has been refreshed to cover the period 2025/26 to 2027/28. Any outstanding actions from 2024/25 have been rolled forward to 2025/26 where appropriate and some new actions have been identified. A summary of the business plan has also been attached as **Appendix 3**. Some of the main areas are described below.
- 3.2. **2025 Valuation** – the triennial valuation of the Fund is due on 31 March 2025 and results are anticipated to be available in the autumn. Training will be provided to both the PFC and the Pension Board. Alongside the valuation the Funding Strategy Statement will be reviewed and updated as required.
- 3.3. **LGPS Fit for the Future** – the outcome of this consultation is anticipated to be received in quarter four 2025/26. This will include elements from the good governance review and officers will address the requirements when they become known. This work will continue into 2026/27.
- 3.4. **McCloud remedy** – work continues working through the various categories of member affected. The two key actions to achieve in 2025 are the inclusion of the McCloud information in the annual benefit statements and the recalculation of benefits already paid. Both are significant activities due to the number of members affected by the remedy.
- 3.5. **Pensions Dashboard** – the LGPS connection deadline is 31 October 2025. We are aiming to be connected well before this date however, the dashboard will not be available to the general public at that point. This will give us the opportunity to undertake scenario testing and make sure we have the correct processes and resources in place for when it does eventually go live.

3.6. **Pensions Review** – the government is expected to publish its conclusions from the Pensions Review in the coming months. New regulations are expected to be laid and statutory guidance published, covering investment and governance arrangements.

4. 2025/26 Budget

4.1. The draft 2025/26 budget for the cost of running the Fund is presented in **Appendix 4** and totals £40.7 million. It is based on the 2024/25 budget and the actual costs incurred during that year and is on an accruals basis.

4.2. The 2025/26 budget has increased by £1.9m compared to the 2024/25 budget. As with previous years, the largest increase relates to investment fees payable (+£1.8m) because of the projected growth in asset values during 2025/26. They are assumed to grow in line with the return assumptions used in the latest review of the investment strategy, 7.2% per annum. Most of the Fund's investments incur fees proportional to their value. The other changes in the budget are relatively minor and reflect issues such as inflation and changes to salaries.

4.3. In line with normal practice, the Budget may be revised during the year if there are material changes, subject to approval by the Committee.

5. Cashflow Projection

5.1. The cash position of the Fund is presented in **Appendix 5**. The table shows the projected cashflows of the Fund for 2024/25 and over the following 3 years.

5.2. This shows the position in relation to the Fund's non-investment operations and includes the relevant figures when assessing whether the Fund is in a cash surplus or deficit position.

5.3. The main inflows and outflows of the Fund are the contribution income from employers and active members, and benefits payments to retired members. They effectively determine the Fund's surplus or shortfall position.

5.4. The forecasts are sensitive to the estimate of inflation, which continues to be a subject of active debate among economists. Low inflation levels are expected compared to those seen over the last few years, but with some volatility. Assumptions for inflation and other key metrics impacting the cashflow projection will be periodically assessed and incorporated into future updates.

5.5. Employer contribution rates will change as a result of the 2025 valuation and will be factored into the forecast when known.

5.6. The forecast annual deficit may seem significant but is only around 0.5% of the value of the Fund. In the past, most income generated by investments has been automatically reinvested, but in future some of this income will be retained to meet the Fund's operational cashflow requirements. A lot more income is available than will be needed. For example, Border to Coast's Global Equity Alpha fund generates dividend income of 2% or more, so £30 million plus will be available from this investment alone. Income not required will be reinvested, as before.

6. Recommendations

- 6.1. Note the progress made against the 2024/25 Business Plan.
- 6.2. Approve the draft 2025/26 Business Plan.
- 6.3. Approve the draft 2025/26 Budget.
- 6.4. Note the 3-year cashflow projection for the Fund.

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