

NORTH YORKSHIRE COUNCIL

PENSION FUND COMMITTEE

22 MAY 2026

BUDGET AND CASHFLOW

Report of the Treasurer

1. Purpose of the Report

1.1. To report on the following:

- i) The 2025/26 budget and cost of running the Fund
- ii) The 3-year cashflow projection of the Fund

2. 2025/26 & 2026/27 Budget

2.1. The draft outturn position against the 2025/26 budget is presented in **Appendix 1**. It shows the total draft running costs of £40.9 million against a budget of £40.7 million. The draft overspend is therefore £0.2 million for the financial year. The final position will be confirmed on completion of the 2025/26 Accounts.

2.2. The draft outturn for 2025/26 includes a few notable variances. The overspend on Pooling costs is due to North Yorkshire's share of a one-off cost for the acquisition of a data platform required by Border to Coast to comply with the Fit for the Future requirements, which the Committee was informed of at the meeting in November 2025. There is also a forecast overspend of investment base fees due to a higher-than-expected increase in the value of the Fund's assets over the year, and lower performance fees due to a reduction in the allocation to a manager with a performance related fee arrangement. The final position on manager fees will also be confirmed on completion of the 2025/26 Accounts.

2.3. The 2026/27 Budget was approved by the Committee at the March 2026 meeting. To remind Members, this operational budget of £3.8 million, also presented in **Appendix 1**, no longer includes the investment management fees as they are monitored but not managed by the Fund and mainly change in line with the value of the Fund's assets.

2.4. There are no variances to report against the budget at this stage, however it will be monitored throughout the year and reported to the Committee. In line with normal practice, the Budget may be revised during the year if material changes are required, subject to approval by the Committee.

3. Cashflow Projection

3.1. The latest forecast cash position of the Fund is presented in **Appendix 2**. The table shows the draft cashflow position of the Fund for 2025/26 and the projected cashflow position over the following three years.

- 3.2. The table 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.
- 3.3. 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.
- 3.4. The forecast is sensitive to the estimate of inflation, which continues to be a subject of active debate among economists. Up until a few months ago inflation was predicted to gradually reduce over the next few years, but the Iran war has caused additional inflationary pressure. It is too early to say how much of an impact this will have and for how long. Assumptions for inflation and other key metrics impacting the cashflow projection will be periodically reassessed and incorporated into future updates.
- 3.5. At the last Committee meeting, Members were presented with an updated three-year cashflow position reflecting the results from the 2025 valuation. The overall funding level of the Fund has improved, resulting in lower employer contributions being required over the next three years. This has led to a decrease in the forecast contribution income in 2026/27 of approximately £32 million compared with 2025/26 and is the main change in the cashflow forecast between years.
- 3.6. The forecast annual operational deficit of £66.5 million in 2026/27 is significant but is only around 1.3% of the value of the Fund. In the past, almost all income generated by investments has been automatically reinvested as it was not needed for operational cashflow purposes. However, in light of the increasing deficit position this will need to change. Officers have reviewed the available income generation options, which are in the form of dividends from equities, coupon payments from bonds and rental income from property.
- 3.7. Based on the current value of the Fund, there is an estimated £70-75 million of income available, and this will grow as the total value of the Fund grows. All the available income generation options have therefore been switched on.

4. Recommendations

- 4.1. Members to note the contents of the report.

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13 May 2026