

Report to the Pension Fund Committee
Meeting to be held on Friday, 7 March 2025

Report of the Director of Finance and Commerce

Budget Monitoring 2024-25 - Quarter 3
(Appendices 'A' & 'B' refers)

Part I	Corporate Priorities: Thinking differently;
Electoral Division(s): N/A;	
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Summary

Purpose of the Report

This report sets out the income and expenditure of the Fund for the 9-month period to 31 December 2024 and provides a forecast for the year ending 31 March 2025.

Recommendation

The Pension Fund Committee is asked to review the financial results for the 9 months to 31 December 2024 and note the budget and forecast variances, as set out in the report.

Background

1. The budget for the financial year ending 31 March 2025 was approved by the Pension Fund Committee on the Friday 10th March 2024. The budget was based on the information available at that time. The forecast provided in appendix A gives the latest estimate of expenditure and income for the financial year in light of updated information to date.
2. The forecast for the year ending 31 March 2025 indicates that any deficit will be lower than set out in the budget for the same period. Details are shown in Appendices 'A' and 'B'.

Actual experience

3. The chart below provides a visual depiction of budget position at the end of quarter 3 compared to actual experience.



MOVEMENT FROM 9 MONTH BUDGET TO 31ST DECEMBER 2024



- At the point of setting the budget in 2024, a deficit of £53m was expected and this is indicated by the grey bar on the left labelled 'Budgeted Surplus/Deficit'.
- However, the actual position as at 31 December 2024 is a deficit of £13m indicated by the grey bar on the right labelled 'Actual Surplus/Deficit'.
- The green bars indicate where there is a favourable variance against the budget, and the amount indicates the variance. e.g. Actual total contributions receivable is £8m greater than budgeted. These positively contribute to the improved deficit position.
- The red bars indicate where there is an adverse variance against the budget, and the amount indicates the variance e.g. total benefits payable is £29m greater than budgeted. This detracts from the improved deficit position.



Further information

Significant variances by budget line set out below.

Investment income

Actual £191.3m (Budget £214.2m, forecast at Q3 £239.2m)

4. Investment income consists mainly of income from the pooled investment funds (95% of the budget). Other items are direct property rental income, interest, foreign exchange differences and tax refunds.
5. Over the 9 months to 31 December 2024 investment income received is above budget by £30.6m which has receded from a £35.9m variance as at Q2. This variance is largely due to the infrastructure pool which is over budget by £14.6m, the infrastructure distributions are difficult to predict in both timing and amount, we are anticipating lower distributions throughout the remainder of the year resulting in the investment income being slightly above budget.
6. The other large variance relates to the Fixed Income pool, which is £10.9m above budget to 31st December 2024. This is the impact of a switch in asset allocation during 2023/24 and 2024/25.

Total benefits payable

Actual £328.4m (Budget £399.7m, forecast at Q3 £434.3m)

7. The forecast for the year is greater than the budget, with an overall adverse variance due to Lump sum pensions being in excess of budget.
8. From analysis provided by LPPA, this is due to both an increase in the volume of retirement lump sums paid which has increased by 18% and the amount paid per lump sum increasing by 28%.

Investment management expenses

Actual £67.0m (Budget £128.6m, forecast at Q3 £110.6m)

9. Investment management expenses encompass fees related to the ongoing management, custody and performance of investments.
10. The actuals to 31st December are £29.5m below the budget. This is due to a one-off adjustment in respect of fees incurred by external managers on pooled investments in prior years - the provision of revised 2023/24 annual returns from fund managers and a change to the 2022/23 total investment management fees. We are anticipating that the management fees will fall below budget at year end, however, as advised previously, these fees are difficult to estimate.



Options and Proposals

11. The Pension Fund Committee is asked to review the financial results for the 9 months to 31 December 2024 and note the budget and forecast variances, as set out in the report.

Consultations

12. Local Pensions Partnership Investments Limited has been consulted for investment management fee and investment income analysis.

Context and Implications

Legal (including Human Rights)

13. Pension fund budget monitoring is an important aspect of general fund governance and compliance, as set out in the Pension Regulator's guidance.

Financial

14. Budget monitoring assists with analysing the financial health of the Fund and helps make informed decisions.

Equality and Diversity

15. There are no equality and diversity implications to this report.

Risk Management

16. The full year financial performance is included in the Fund's annual report and statement of accounts for the year ended 31 March 2023. Regular budget monitoring is a key control for the Fund and assists in the financial management of the Fund, providing an indication of significant variances from expectations and informing future budgets.

Appendices

Appendix	Title
Appendix 'A'	2024/25 Budget Monitoring Report – quarter ended 31 st December Summary
Appendix 'B'	2024/25 Budget Monitoring Report – quarter ended 31 st December Detail

List of Background Papers

Paper	Date	Contact/Tel
N/A		

Part II Reason

17. N/A

