

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 8

20.8 Basis for Estimating Assets and Liabilities (Continued)

Current Pensioners - Males	
- Females	
Future Pensioners - Males	
- Females	

2023/24 Years	2022/23 Years
20.1	19.9
22.8	22.9
20.8	21.2
24.6	24.7

Financial Assumptions

Rate of inflation	
Rate of increase in salaries	
Increase in Pensions	
Rate for discounting scheme liabilities	

2023/24 %	2022/23 %
2.8%	3.0%
3.5%	3.5%
2.8%	3.0%
4.8%	4.8%

20.9 **Sensitivity Analysis**

Accounting guidance requires disclosure of the sensitivity of the results to the methods and assumptions used. The approach taken in preparing the sensitivity analysis shown is consistent with that adopted in the previous year.

0.1% decrease in Real Discount Rate	
0.1% increase in the Salary Increase Rate	
0.1% increase in the Pension Increase Rate	
1 year increase in member life expectancy	

Approximate % Increase to Employer Obligation	Approximate Monetary Amount £'000
2%	19,998
0%	1,264
2%	19,072
4%	43,615

For sensitivity purposes, we estimate that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3 – 5%, increasing it by approximately £32 million – £55 million. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominately apply at younger or older ages).

20.10 **Projected Pension Cost for period to 31 March 2025**

Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. The most recent formal valuation date was 31 March 2023 with the subsequent results based on a new rollforward from the formal valuation.

The pension surplus has decreased as a result of a combination of

- the corporate bond yield, which the discount rate is derived from, has risen over the period, which has led to a 0.05% increase in this assumption which has reduced the Employer's obligations and led to a gain on the balance sheet.
- investment returns greater than expected leading to a positive impact. The total investment return achieved by the Fund over the accounting period was 6.1%, compared to an expected accounting return of 4.75%.
- the demographic assumptions have changed from the previous accounting period to reflect the latest available longevity information and the results of the 2023 funding valuation exercise.
- the resulting increase in obligations resulting from applying the actual Pensions Increase Order for April 2024 of 6.7%, which was significantly higher than the pension increase rate assumption built into the obligations at the start of the accounting period.

The figures presented in the actuary's valuation are prepared only for the purposes of IAS 19 and have no validity in other circumstances. In particular, they are not relevant for calculations undertaken for funding purposes and have no impact on the employer's pension contribution rate. The net pensions asset for 2022/23 and 2023/24 does not impact on the council's usable reserves, however the requirement to recognise the net pensions unfunded liability in the balance sheet has decreased the reported net worth of the council in 2023/24 by 2%. (decrease of 2% 2022/23).

The following table sets out the projected amount to be charged to operating profit for the year to 31 March 2025, based on assumptions as at 31 March 2024: -

31 March 2025			
Assets £'000	Obligations £'000	Net £'000	% of pay
Current service cost	(34,506)	(34,506)	(21.6%)
Total Service Cost	(34,506)	(34,506)	(21.6%)
Interest income on plan assets	-	67,322	42.1%
Interest cost on defined benefit obligation	(52,457)	(52,457)	(32.8%)
Total Net Interest Cost	(52,457)	14,865	9.3%
Total included in Profit or Loss	(86,963)	(19,641)	(12.3%)

The estimated Employer's contributions for the year to 31 March 2025 will be approximately £28.146 million.

21. **USABLE RESERVES**

Movements in the council's usable reserves are detailed in the Movement in Reserves Statement and Notes 12 and 13.

21.1 **Revenue Statutory Funds**

Insurance Fund
Balance at 1 April
Appropriation

Balance at 31 March

2023/24 £'000	2022/23 £'000
7,058	7,307
(235)	(249)
6,823	7,058