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London Pensions Fund Authority

Medium Term Financial Plan (MTFP)

2020-23

Contents

London Pensions Fund Authority
Medium Term Financial Plan (MTFP) 2020-23

1. Executive summary

The MTFP is based on the LPFA Strategic Policy Statement (SPS), providing a forecast outturn for the current financial year and the following three years.

The primary aim of LPFA is to establish and maintain a funding level close to full funding on a risk adjusted triennial valuation basis whilst providing a quality service for its members at a reasonable cost. London Pensions Fund Authority (LPFA) currently administers the funds of 374 different public sector and 'not for profit' organisations with assets totalling £6.05 billion as at 31 March 2019. At the end of March 2016, the funding level was 96% on a triennial valuation basis, as per the LPFA's external actuary (Barnett Waddingham). At the time of writing and having progressed but not yet competed the 2919 Actuarial Valuation, our funding level is considerably in excess of 100%.

The MTFP does not cover the investment strategy for the Fund (which is detailed within LPFA's Investment Strategy Statement). However, the MTFP does show the projected net draw down from investments to meet current liabilities, the planned returns on investments and investment costs. In addition, the MTFP details the projected net cost of Residual Liabilities and LPFA's management and administration costs (Operational Account).

LPFA is required, under the GLA Act 1999, to provide the Mayor with a draft strategic policy statement and budget for the forthcoming year by 31 December. The Mayor is required to provide any comments on the plans by 31 January and LPFA is required to consider the Mayor's comments before finalising the MTFP.

LPFA is currently operating within a challenging general economic climate, with continuing pressure on public sector funding. The government continues its commitment to work with Local Government Pension Scheme (LGPS) administering authorities to achieve benefits from pooling investment expertise and administration, to deliver secure pensions to members.

During 2015-16, LPFA entered into a partnership with Lancashire County Council to form a pooling partnership with Lancashire County Pension Fund (LCPF). The MTFP is prepared on the assumption that the partnership will continue to be in place for the duration of the MTFP. The LPFA Board sets the strategic asset allocation for the pension fund, with the implementation of that strategy delegated in full to Local Pensions Partnership (LPP). LPP has worked to reduce the overall costs of managing all aspects of the pension fund including investment management, liability management and pension administration costs. In the period beginning prior to LPP's conception and ending with the latest year for which audited financial results are available, investment management costs have reduced by 21 basis points (bps) whilst assets have grown by almost 50% over the same period.

LPFA raises a levy on all the London Boroughs for Residual Employer Liabilities. Changes in this levy have a direct impact on the Boroughs' budgets. As a result, despite not having increased now for over ten years, the levy remains under particular scrutiny. This levy must be agreed, and details passed to the Boroughs before 15 February 2020.

The purpose of the MTFP is to provide a three-year forecast for the use of LPFA resources from 1 April 2020.

The MTFP is prepared on the assumption that:

- The LPFA will continue to be part of a partnership with the LCPF, which effectively moved almost all its operations to LPP; and
- Whilst the LPP budget drives the service level agreement (SLA) charges contained within this document, that budget is still under development and may be subject to change.

Pension Fund

- Ongoing net outflow of cash from dealings with members of c.£135m per annum is expected from 2020/21 to 2022/23.
- Prudent net investment returns of 5% p.a. reflecting assumptions applied by LPPI Ltd to determine fund values.
- Investment Management costs are not expected to increase in bps terms and no assumption has been made over changes to the current asset mix.
- The budgeted Oversight & Governance fee from LPP reflects resources required to deliver services according to SLAs. The fee is subject to negotiation through respective parties budgeting cycles.
- Pooling investment management activity has contributed to strong growth in the pension fund, stable funding levels and a significant reduction in the costs associated with managing pension fund investments. The investment management costs and asset growth can be seen in the table below as per the audited accounts.

Residual liabilities

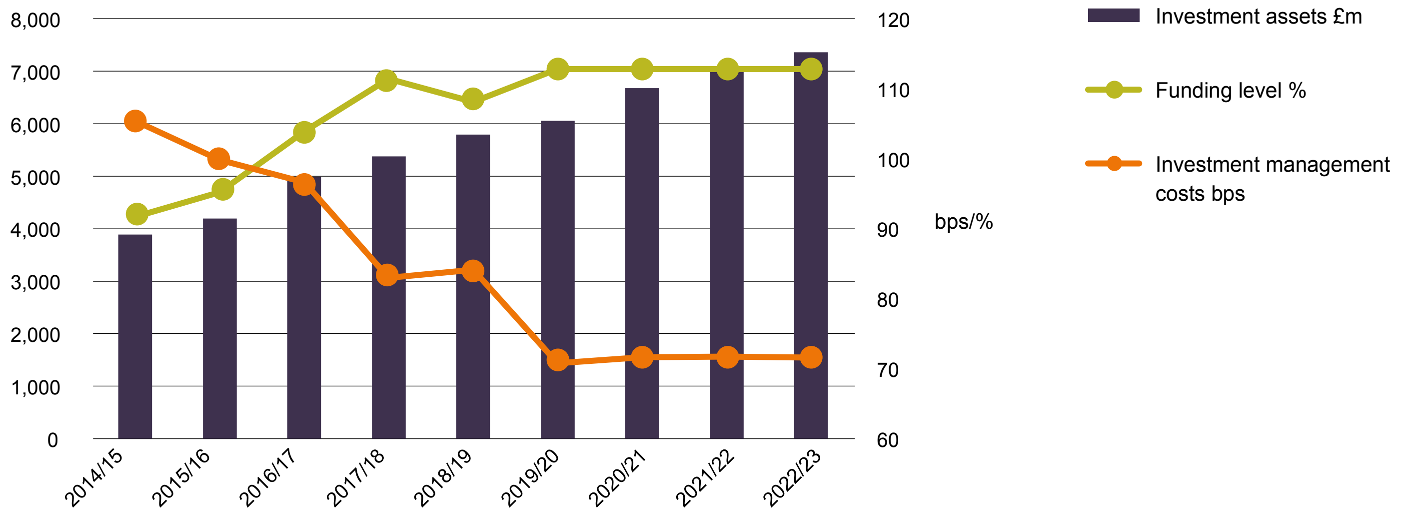
- As in 2018/19, no increase is anticipated in the overall levy on the London Boroughs over the next three years, helping smooth the effect of future liabilities.
- No material change is forecast in the number of asbestosis claims nor the timespan they are expected to occur within.
- There is a year on year reduction of the management charge paid to LPFA from residual liabilities in line with reducing benefit payments.

2. Accounts overview

LPFA's accounts are in two parts:

1. **Pension Scheme** – comprising some £6.05bn as at 31 March 2019 of assets managed as part of the Investment Strategy. The Fund receives employer and employee contributions from 138 of the 374 bodies participating in the fund and funds pension payments to 36,000 pensioners and dependants.
2. **Residual Liabilities Account** – comprising the on-going payments of annual statutory compensation following the abolition of the Greater London Council (GLC), Inner London Education Authority (ILEA) and London Residuary Body (LRB). These payments are financed by a levy on all London Boroughs. These accounts also include substantial provisions for injury claims from former employees of the GLC and ILEA in relation to asbestosis.

Pension fund assets, funding levels and costs



	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Investment assets £m	3,891	4,194	4,987	5,375	5,790	6,053	6,678	7,012	7,362
Funding level %	91.7	95.2	103.9	111.4	108.1	112.8	112.8	112.8	112.8
Pooled fees	25.42	26.75	51.76	51.27	53.11	48.11	49.03	49.05	48.97
Non-pooled fees	79.96	73.09	44.86	31.73	31	22.68	22.62	22.65	22.63
Investment management costs bps	105.38	99.84	96.62	83	84.11	70.78	71.64	71.71	71.6
Pooled fees £m	9.9	11.2	25.8	27.6	31.2	31.4	33.6	35.3	37
Non-pooled fees £m	31.1	30.7	22.4	17	17.5	14.8	15.6	16.3	17.1
Total fees £m	41	41.9	48.2	44.6	48.7	46.2	49.2	51.6	54.1

3. Pension Fund

The projected net withdrawals from the Pension Fund over the three-year planning period are summarised in the table below.

Cash and funding sources	Forecast outturn 2019-20 £m	Budget 2020-21 £m	Budget 2021-22 £m	Budget 2022-23 £m
Dealings with members				
Employee contributions	(40.8)	(41.5)	(42.2)	(42.9)
Employer contributions	(79.5)	(82.2)	(83.6)	(85.0)
Employer deficit contributions	(29.3)	(20.5)	(20.5)	(20.5)
Additional contributions	(6.0)	(6.1)	(6.2)	(6.4)
Pensions payable	234.6	238.6	242.6	246.8
Lump sums	45.7	46.5	47.3	48.1
Transfers in	(57.2)	(11.8)	(12.0)	(12.2)
Transfers out	27.1	11.8	12.0	12.2
Net (additions)/withdrawals from dealings with members	**94.6**	**134.8**	**137.4**	**140.1**
Management expenses				
Pension administration fees per LPP SLA	1.9	2.1	2.4	2.6
Employer risk fees per LPP SLA	1.0	0.9	0.8	0.8
Oversight & Governance	1.5	2.5	2.5	2.5
Total management expenses	**4.4**	**5.5**	**5.7**	**5.9**
Investments				
Investment income	(138.8)	(145.7)	(153.0)	(160.7)
Fund performance	(631.0)	(377.7)	(392.3)	(407.5)
Pooled charges	31.4	33.6	35.3	37.0
Non-pooled fees per LPP SLA	1.2	1.3	1.3	1.4
Other investment management non-pooled fees	13.6	14.3	15.0	15.7
Net return on investments	**(723.6)**	**(474.2)**	**(493.7)**	**(514.1)**
Net (addition)/withdrawal from managing the Pension Fund	**(624.6)**	**(333.9)**	**(350.6)**	**(368.1)**

Net withdrawal of funds from dealings with members are anticipated to increase by 4% over the three-year budgeted period. The key planning assumptions are detailed below.

1. **Employer and employee contributions** – The number of active members is projected to remain much the same across the fund employers, with any increases through auto-enrolment being offset by reductions due to the continuing squeeze on public sector spending.

   The employer contribution levels assume a year-on-year inflation increase of 1.7% in pensionable pay up from 2021/22 to 2022/23 in line with Consumer Price Index (CPI) as at August 2019. Year 2020/21 has been based on the actuary future service rate.

   The average standard employer contribution rate was set at a future service rate of 15.6% of payroll from 1 April 2020 in line with the rates set at the 2019 triennial valuation.

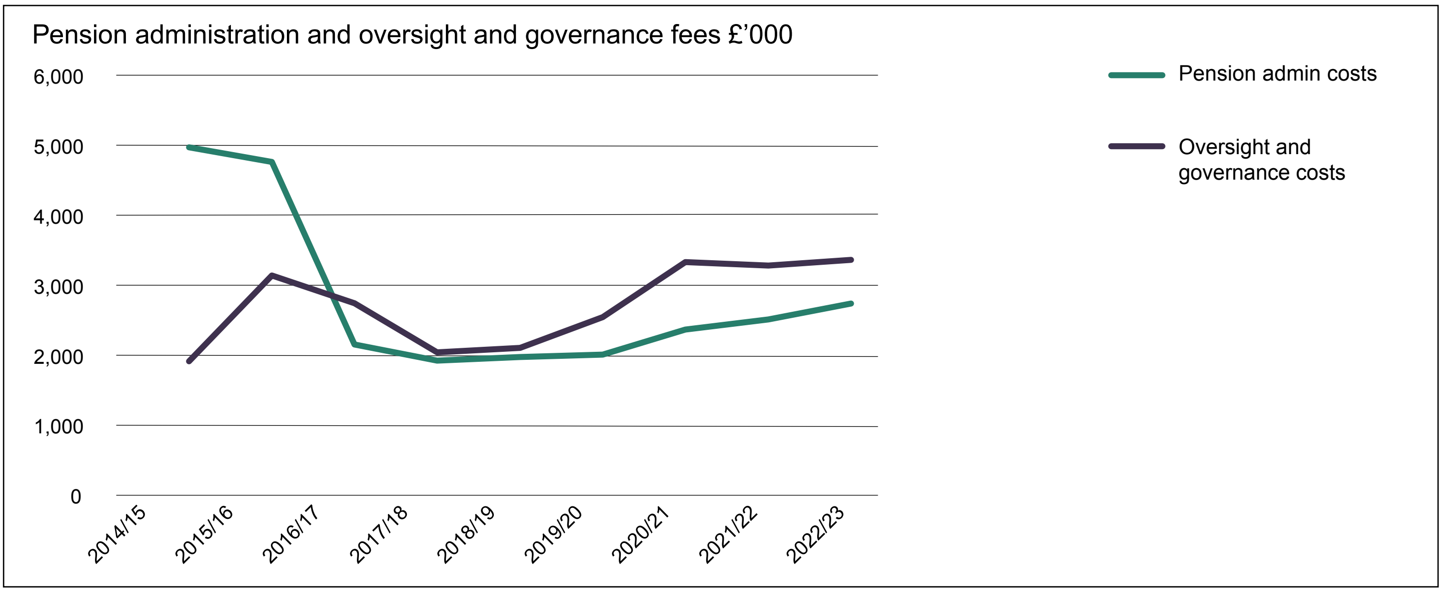
2. **Employer deficit contributions** – Total past service contributions rate was set as 3.9% of payroll from 1 April 2020 in line with the rates set at the 2019 triennial valuation. The improved funding position of the fund has led to an assumption that these will remain static till 2022/23.

3. **Additional contributions** – the current year forecast has been used to forecast future additional contributions for the budget with an annual 1.7% CPI linked increase.

4. **Pensions payable and lump sums** – It is assumed that the membership will remain broadly constant with natural turnover offset between pensioners and active members. The current year forecast has therefore been used to generate future budgets with a 1.7% annual increase in line with current CPI.

5. **Transfers** – Individual transfers out are assumed to be equal with transfers in as it is not possible to more accurately predict these. Transfers in during 2019/20 are anticipated to be unusually high due to one particularly large (£45.7m) transfer in. This is viewed as a one off rather than the emergence of a trend and we therefore continue to not budget for future large bulk transfers.

Management expenses



Pension administration fees per LPP SLA – LPP have reviewed their Pension Administration costs on a client by client basis as part of the shared cost arrangement which hasn't historically been monitored and are embarking on implementation of full cost recovery. LPP are also considering whether transfer pricing applies across all services provide to the LPFA as HMRC may view these as transactions with a related party which should therefore be priced on a commercial basis. For prudence, a 10% transfer pricing charge has been budgeted for all services provided by LPP.

Employer risk fees per LPP SLA – Fees reflect the draft LPP budget and are subject to change. These decrease in future years despite the addition of a transfer pricing mark-up due to internal reallocation of charges within LPP, this is offset by an increase to support fees.

The LPFA Board and Management Team costs are expected to increase in line with inflation (1.7% August 2019 CPI) over the three-year period.

IAS19 costs are budgeted at their current levels in line with the assumption made for the wider pension fund.

Recharge to Residual Liabilities reflects the work carried out in maintaining the Residual Liabilities fund and this decreases in line with the value of pension payments made.

Support services increase due to the reallocation of fees previously considered Employer Risk which are in relation to asset and liability management. In addition, a transfer pricing mark-up has been included to comply with HMRC guidance. The budget currently assumes that all services currently provided by LPP will continue across the three-year planning period.

Oversight & Governance

	Projected outturn 2019-20 £000	Budget 2020-21 £000	Budget 2021-22 £000	Budget 2022-23 £000
Board	139	142	144	146
ExCom	169	172	175	178
Central corporate costs	776	1,549	1,325	1,347
IAS19 past service cost	300	300	300	300
Recharge to residual liabilities	-585	-573	-561	-547
Support services fee per LPP SLA	750	945	1,073	1,091
Total operational costs	**1,549**	**2,535**	**2,453**	**2,513**

Central corporate costs	Projected outturn 2019-20 £000	Budget 2020-21 £000	Budget 2021-22 £000	Budget 2022-23 £000
Audit fees	115	115	117	118
Consultancy	250	500	259	263
Insurance	18	20	21	21
Local Pensions Board	12	12	12	13
Marketing/External comms	100	102	103	105
Staff costs	230	656	668	679
Subscriptions	41	117	119	121
Travel	9	26	26	27
Total operational costs	**776**	**1,549**	**1,325**	**1,347**

Investments

The LPFA's investment strategy is set out in its Investment Strategy Statement. The projected returns on investment and associated management fees are summarised in the table below with the projected Net Asset Statement and Movement in Reserves over the next three years shown in **Appendix 1**.

Net returns on investments	Projected outturn 2019-20 £000	Budget 2020-21 £000	Budget 2021-22 £000	Budget 2022-23 £000
Income:				
Investment Income	(138.8)	(145.7)	(153.0)	(160.7)
Fund performance	(631.0)	(377.7)	(384.6)	(400.1)
Total income	**(769.8)**	**(523.4)**	**(537.7)**	**(560.8)**
Expenditure:				
Pooled charges	31.4	33.6	35.3	37.0
Non-pooled LPP fees	**1.2**	**1.3**	**1.3**	**1.4**
Non-pooled fees from other investment managers	**13.6**	**14.3**	**15.0**	**15.7**
Total expenditure	**46.2**	**49.2**	**51.6**	**54.1**
Net return on investments	**(723.6)**	**(474.2)**	**(486.1)**	**(506.7)**

Key planning assumptions on investment returns are:

1. **Investment income** – Investment income has been calculated based on the 2019/20 forecast performance with a 5% increase applied in future years in line with investment growth assumptions.
2. **Changes in market value** – Change in market value is the required balance to reach targeted growth of 5% per annum in line with LPPI investment growth assumptions.
3. **Pooled charges** – The assumption is that the forecast for 2019/20 will increase in line with assumed investment growth.
4. **Non-pooled LPP fees** – No change in bps charges over the period with cost movements driven by expected 5% growth in assets. No assumptions have been made over further pooling existing non-pooled assets.
5. **Non-pooled fees from other investment managers** – Driven by the 2019/20 forecast with an increase to reflect assumed AUM growth at 5% p.a. on average.

A full forecast of the pension fund is set out in **Appendix 1**.

4. Residual liabilities

The residual liabilities relate to responsibilities transferred to the LPFA following the abolition of the GLC, the ILEA and the LRB. The costs are met from a levy charged on London Boroughs.

Income and expenditure

A summary of the Residual Liabilities income and expenditure budget for the three years of the MTFP is provided in the table below.

The key planning assumptions in the above projections are as follows:

	Residual Liabilities	Projected outturn 2019-20 £000	Budget 2020-21 £000	Budget 2021-22 £000	Budget 2022-23 £000
Greater London	Unfunded pension costs	6,103	5,948	5,800	5,658
	Direct costs	4,386	0	0	0
	Asbestosis provision	2,020	3,096	3,348	3,606
	Management expenses	249	244	239	233
	Interest	(412)	(491)	(548)	(604)
	Levy	(10,318)	(10,318)	(10,318)	(10,318)
	Net (inflow)/ outflow	**2,028**	**(1,521)**	**(1,480)**	**(1,424)**
Inner London	Unfunded pension costs	10,461	10,253	10,054	9,862
	Direct costs	3	0	0	0
	Asbestosis provision	613	287	310	334
	Management expenses	336	329	322	314
	Interest	(85)	(119)	(163)	(211)
	Levy	(13,065)	(13,065)	(13,065)	(13,065)
	Net (inflow)/ outflow	**(1,738)**	**(2,315)**	**(2,542)**	**(2,766)**

1. **Unfunded pension payments** – in the short term these represent the main costs and have continued to be broadly in line with budget each year. They are reducing over time in line with historic trends as the number of pensioners decline, although this reduction is in part offset by the annual pension's increase which is based on the CPI as at 30 September.
2. **Direct costs** - these costs are in relation to the management of LCC stock. The provider of this services has been engaged to buy back all of this stock in 2019/20 at par value (£4.3m), this would ensure no future charges in this area and also eliminate the requirement to pay interest to stockholders from 2020/21 onwards.
3. **Asbestosis provision** – The LPFA's Fund Actuary forecast's that the value of asbestosis claims will rise significantly over the next five years before tailing off to 2035. For the purposes of the MTFP it is assumed that the list of ongoing cases at the start of 2019/20 will be settled in the financial year. Future years assume the new cases forecast in each year, as included in the provision in the audited 2018/19 accounts, will be settled each year.

   The LPFA currently levies more than is required to settle known asbestosis cases to build reserves. The LPFA does this in order to smooth the cost of the cases to the London Boroughs over the period they are expected to originate.

   In addition, the LPFA has been in discussion with the London Boroughs over the past few years that the levy will continue to remain at this level in order to pay for the pension fund deficit attributable to the former GLC/ILEA London bodies. As the requirement of the levy to fund asbestosis costs lessens an increasing amount will be used to pay off the pension fund deficit until this is paid off in full.
4. **Management expenses** – these represent a recharge from the Operational Account and are forecast to decline over time in line with the unfunded pension payments.
5. **Interest** – represents income earned on cash held at the GLA. The Greater London interest benefits from LCC stock interest payments ceasing in 2019/20.
6. **The levy** for 2020/21 is planned to be held at the current level.

5. Risks and opportunities

Whilst the MTFP has been developed based on the best information currently available, there are several risks and opportunities that could affect the projections and therefore need to be kept under review.

Risks

The key risks facing the LPFA over the next three years are as follows:

Outside of direct the LPFA Control:

- **Brexit** – There are potential consequences of Brexit, which could impact investment performance, funding levels of fund employers and membership numbers.
- **Enforced pooling** – the Government may yet enforce pooling on the LGPS in a manner other than the existing format allows for, this would likely lead to significant costs in either dismantling the partnership vehicle or adding additional partners.
- **Future structure of LGPS** - the estimates are constructed based on the current regulations. However, in the three-year time horizon it is possible that further changes emerge that will impact the overall position of the organisation either as one pension schemes or in categories such as Higher Education or Tier 3 sections. Additional pressures surrounding the cost cap and McCloud cases could add significant time and cost to the Fund management.
- **Valuation** – The budget has been developed ahead of new employer rates being finally agreed following the 2019 triennial valuation, and this could impact contributions received by the fund.

Risks that can be mitigated by the LPFA:

- **Employers' default** – whilst the LPFA makes considerable effort to manage the risk of employer default, including the obtaining of security and/or charges over assets and/or levying risk adjusted additional contributions, an employer default may impact funding level and may also lead to higher contributions from the other employers in the fund.
- **Key assumptions** – the key assumptions made in producing the MTFP were set out at the beginning of the document, and these will require appropriate monitoring.
- **Investment performance** – the draft budget has been constructed on the basis of a rolling average 5% p.a. target investment return.
- **Markup costs** – LPP is an affiliated entity of LPFA and as such is subject to transfer pricing rules. The budget assumes a 10% margin, and this may need to be adjusted to be compliant with rules governing this area. LPP and the LPFA can discuss an appropriate level for this to be set at to ensure future compliance.
- **Success of LPP** – LPFA is a 50% shareholder in LPP and shares in any value generated by LPP. LPFA is able to apply considerable direction and influence on LPP, whilst LPFA operations are also subject to satisfactory delivery by LPP.

Opportunities

- **Administration transformation** – opportunity exists to work with LPP around financially and operationally building an improved Administration business that makes a contribution over the next 3 years, whilst continuing to deliver quality services, and targets profitable business in next 5 years.
- **Financial and corporate structure of LPP** – given some of the lessons learnt this year on LPP budgets and financial management a review of LPP loan and capital structures is being undertaken. The review may lead to the implementation of a new capital structure at LPP.
- **LPP impact** – LPP commenced operations with two partner clients, LCPF and the LPFA. The acquisition of further partners, such as Berkshire who were added to Investment clients in 2018, could potentially reduce the net costs passed on to the LPFA via economies of scale. The introduction of any additional clients will also be monitored for any impact on LPP operations, finances and risk.

6. Reserves

A summary of the LPFA's current reserves and the projections on the balances in these reserves over the next three years are shown in Appendix 2. The purpose of each reserve is set out below.

The LPFA's General Reserve is maintained to manage the impact of unexpected one-off costs.

General reserve

Management's judgement on the adequacy of General Reserves reflects perception of the residual risk of emergencies and/or of unexpected events, in the context of the risk management and financial control processes in place.

The calculation of the potential financial impact of these assessed risks has been done and in the light of this, it is regarded that c£1.7m is an appropriate target level for the General Reserve over the three-year planning period. If there is a reduction in risk this figure will be revised.

Premises reserve

The reserve was established as the LPFA lease on Dexter House expired in December 2014. The reserve was maintained to mitigate the financial impact of dilapidation works to Dexter House which could be claimed for a number of years. Planning permission for a new development on the site has been approved with all tenants having vacated the entire Royal Mint Court area. It is assumed that no request will now come from the current owners of the property and as such the reserve will be consolidated into the General Reserve at the end of the 2019/20 financial year.

7. Treasury management

As at 30 September 2019, the fund had cash balances of £177 million. The LPFA also manages a further £54 million of cash held against Residual Liabilities.

In addition to cash directly held by the LPFA, third party investment fund managers may hold cash in various currencies as part of their mandates. The LPPI Investment Teams monitor managers' cash policies.

Treasury investment performance is monitored by the Audit & Risk Committee and reported to the Board.

8. Legal issues

The key requirements are that the LPFA must prepare a draft budget statement and present this to the Mayor by 31 December 2019; the LPFA must have regard to any comments received from the Mayor by 31 January 2020; and the LPFA is required to set a levy before 15 February 2020.

Glossary

Asbestosis – this is the disease developed from inhaling asbestos dust.

LPFA is liable for residual liabilities, including industrial injuries, in accordance with The London Residuary Body (Transfer of Compensation Functions Order) 1991.

The Compensation Act 2006 has increased LPFA's liabilities.

The GLC took the decision to self-insure until the early 1980s. Personal injury insurance was effected from April 1982 until abolition but carried very large excesses (typically £100K). In recent years, a steady stream of claims have been received from former employees who have contracted asbestos related illnesses, pleural plaques (not necessarily life threatening) and mesothelioma (which is terminal), during the course of their employment. Asbestos related diseases do not manifest themselves until between 10-30 years after contamination (and as such are not bound by the three-year time barring ruling for non-latent personal injuries).

The LPFA's liability on injury claims was increased by the Compensation Act 2006, which reversed an earlier decision (Barker v Corus Plc) that allowed the LPFA to pay a portion of the compensation awarded on the basis of length of time the claimant was employed by the LPFA related bodies. It is therefore no longer for the Claimant to prove the proportion of damages for which the defendant is liable. Instead, it is for LPFA to prove that another defendant is jointly responsible for asbestosis exposure and, to what extent.

Financial year – period for which the budget is set, and accounts prepared – the LPFA financial year is 1 April to 31 March.

Forecast of outturn – this is the estimate of the expenditure for the financial year taken at a point part way through the year. The forecast of outturn will take known expenditure, that actually spent and committed (purchase orders), and add to this expected expenditure for the remainder of the financial year. This then allows comparison to the budget.

GLA – Greater London Authority – strategic London authority set up in 2000. The Mayor's Office is part of the GLA.

GLC – Greater London Council – former London government abolished in the 1980s.

ILEA – Inner London Education Authority – former London body abolished in the 1980s.

LGPS – Local Government Pensions Scheme. The scheme administered by the LPFA.

LPP – Local Pensions Partnership – a private entity of which LPFA is a joint shareholder with Lancashire County Council. They provide pension services to LPFA.

LRB – London Residual Body – former London body set up on abolition of the GLC and ILEA to manage function not allocated to other parts of London government, mainly London boroughs.

Mayor of London – elected representative in London, elected every four years from 2000. The current Mayoral term ends in May 2020.
The Mayor appoints the LPFA Board and is a consultee on the LPFA budget and strategic plan.

Reserves – funding received but not yet used is held in reserves, which are either earmarked and held in a specific reserve or are held in the general reserve. The amounts held in reserves are to meet future demands which may be planned, expected or unknown.

Valuation – this is undertaken every three years on all LGPS funds. The next valuation is due in 2019/20. The valuation considers the liability of the pension fund, provides a current funding position and establishes employer pension contribution rates for the coming three years.

Appendix 1

Pension Fund – Net assets statement and movement in reserves

Cash and funding sources	Forecast 2019-20 £m	Draft 2020-21 £m	Draft 2021-22 £m	Draft 2022-23 £m
Estimated opening value of assets	**6,053.2**	**6,677.9**	**7,011.8**	**7,362.4**
Dealings with members and employers				
Contributions	(155.6)	(150.3)	(152.5)	(154.8)
Transfers In	(57.2)	(11.8)	(12.0)	(12.2)
Benefits payable	280.3	285.1	289.9	294.9
Transfers out	27.1	11.8	12.0	12.2
Net dealings with members and employers	**94.6**	**134.8**	**137.4**	**140.1**
Management expenses				
Oversight & Governance	1.5	2.5	2.5	2.5
Pension administration fees per LPP SLA	1.9	2.1	2.4	2.6
Employer risk fees per LPP SLA	1.0	0.9	0.8	0.8
Total management expenses	**4.4**	**5.5**	**5.7**	**5.9**
Sub-total value of assets	**5,954.2**	**6,537.6**	**6,868.7**	**7,216.4**
Returns on investments				
Investment income	(138.8)	(145.7)	(153.0)	(160.7)
Changes in market value	(631.0)	(377.7)	(392.3)	(407.5)
Pooled charges	31.4	33.6	35.3	37.0
Non-pooled charges	14.8	15.6	16.3	17.1
Net return on investments	**(723.6)**	**(474.2)**	**(493.7)**	**(514.1)**
(Increase)/Decrease in Fund	**(624.6)**	**(333.9)**	**(350.6)**	**(368.1)**
Estimated closing value of assets	**6,677.8**	**7,011.8**	**7,362.4**	**7,730.5**

Appendix 2

Reserves forecast 2019/20 – 2022/23

	General reserve £000	New premises reserve £000	Total £000
Balance as at 01/04/19	**873**	**400**	**1,273**
Expected movement	795	(400)	395
Projected balance as at 31/03/20	**1,668**	**0**	**1,668**
Expected movement	–	–	–
Projected balance as at 31/3/21	**1,668**	**0**	**1,668**
Expected movement	–	–	–
Projected balance as at 31/3/22	**1,668**	**0**	**1,668**
Expected movement	–	–	–
Projected balance as at 31/3/23	**1,668**	**0**	**1,668**

The Premises Reserve balance is transferred to the General Reserve at the end of 2019/20 as detailed earlier in this document.

The additional £395k is the difference between forecast management expenses and those budgeted for 2019/20.