



Local Pension Board

A meeting of the Local Pension Board will be held in the The Jeffrey Room - The Guildhall, Northampton, NN1 1DE on Wednesday 24 April 2024 at 2.00 pm

Agenda

| | |
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| 1. | Apologies for Absence |
| 2. | Declarations of Interest Members are asked to declare any interest and the nature of that interest which they may have in any of the items under consideration at this meeting. |
| 3. | Minutes (Pages 5 - 10) To confirm the Minutes of the meeting of the Committee held on 25 January 2024. |
| 4. | Chair's Announcements To receive communications from the Chair. |
| 5. | Action Log (Pages 11 - 12) |
| 6. | Administration report (Pages 13 - 26) |
| 7. | Business Plan and Medium-Term Strategy 2024/25 (Pages 27 - 64) |
| 8. | Governance and Compliance Report (Pages 65 - 78) |
| 9. | Communications Plan 2024/2025 (Pages 79 - 84) |

| | |
|-----|--|
| 10. | Equality, Diversity and Inclusion Action Plan (Pages 85 - 96) |
| 11. | Cashflow Projections Report (Pages 97 - 124) |
| 12. | Audit Plan (Pages 125 - 150) |
| 13. | <p>Exclusion of Press and Public</p> <p>In respect of the following items the Chairman may move the resolution set out below, on the grounds that if the public were present it would be likely that exempt information (information regarded as private for the purposes of the Local Government Act 1972) would be disclosed to them: The Committee is requested to resolve: "That under Section 100A of the Local Government Act 1972, the public be excluded from the meeting for the following item(s) of business on the grounds that if the public were present it would be likely that exempt information under Part 1 of Schedule 12A to the Act of the descriptions against each item would be disclosed to them"</p> |
| 14. | Private minutes of the last meeting (Pages 151 - 152) |
| 15. | AVC report (Pages 153 - 160) |
| 16. | ACCESS Update (Pages 161 - 170) |
| 17. | Risk Monitoring (Pages 171 - 222) |
| 18. | <p>Urgent Business</p> <p>The Chairman to advise whether they have agreed to any items of urgent business being admitted to the agenda.</p> |

Catherine Whitehead
Proper Officer
16 April 2024

Local Pension Board Members:

Alicia Bruce (Chair)

Julie Petrie (Vice-Chair)

Councillor Andrew Weatherill
Katy Downes

Councillor Greg Lunn
Kevin Standishday

Information about this Agenda

Apologies for Absence

Apologies for absence and the appointment of substitute Members should be notified to democraticservices@westnorthants.gov.uk prior to the start of the meeting.

Declarations of Interest

Members are asked to declare interests at item 2 on the agenda or if arriving after the start of the meeting, at the start of the relevant agenda item

Local Government and Finance Act 1992 – Budget Setting, Contracts & Supplementary Estimates

Members are reminded that any member who is two months in arrears with Council Tax must declare that fact and may speak but not vote on any decision which involves budget setting, extending or agreeing contracts or incurring expenditure not provided for in the agreed budget for a given year and could affect calculations on the level of Council Tax.

Evacuation Procedure

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Queries Regarding this Agenda

If you have any queries about this agenda please contact Jeverly Findlay, Democratic Services via the following:

Tel: 01327 302324

Email: jeverly.findlay@westnorthants.gov.uk

Or by writing to:

West Northamptonshire Council
One Angel Square
Angel Street

Northampton
NN1 1ED



Local Pension Board

Minutes of a meeting of the Local Pension Board held at Walton Room, The Guildhall, Northampton on Thursday 25 January 2024 at 2.00 pm.

Present:

Alicia Bruce (Chair)
Julie Petrie (Vice-Chair)
Councillor Andrew Weatherill
Katy Downes
Kevin Standishday

Apologies for Absence:

Councillor Greg Lunn

Officers:

Paul Hanson, Head of Democratic & Elections
Mark Whitby, Head of Pensions
Michelle Oakensen, Governance and Regulations Manager
Jeverly Findlay, Committee Officer
Fiona Coates, Pension Services Financial Manager
Madalina Bratec, Governance Specialist

116. **Declarations of Interest**

No interests were declared.

117. **Minutes**

RESOLVED: The Local Pension Board approved the minutes of the meeting held on 2 November 2023.

118. **Action Log**

Members of the Board were asked to note the Action Log. It was noted that Councillor Weatherill's query in the Action Log would be addressed after the meeting.

RESOLVED: The Local Pension Board noted the action log.

119. **Annual Report and Statement of Accounts**

The Pension Services Financial Manager presented the Annual Report and Statement of Accounts for the Northamptonshire Pension Fund and highlighted the key risks and areas of auditor focus, which were the valuation of Level 3 investments, management override of controls and triennial valuation.

Grant Thornton had adjusted its approach to materiality on Pension Fund audits since last year to be more risk focused. As such, investment related materiality was set at 1.5% of the estimated gross assets, which reflected the risks associated with asset valuations. A lower materiality had been set in respect of non-investment related transactions, at 10% of prior year gross expenditure, for a more focused approach. Grant Thornton identified one corrected misstatement during the audit.

There were 2 recommendations contained in the audit findings report which had both been actioned by the team.

The accounts had been reviewed and approved by the Pensions Committee and Audit and Governance Committee. The Northamptonshire County Council 2020/21 final accounts had now been signed off.

The Chair acknowledged that there had been a considerable amount of work that had gone into the audit.

RESOLVED: The Local Pension Board noted the contents of the report.

120. **Administration Report**

Consideration was given to a report which provided an overview of the administrative activities of the Northamptonshire Pensions Fund.

The Governance and Regulations Manager presented the report and drew the Committee's attention to the administration and customer journey key performance indicators (kpis). The target for processing the payments of benefits from active service was 5 working days and Officers had sought Committee approval in December to revise this to 10 working days to allow sufficient processing time. An analysis had been undertaken and if a correction was required and checked again in 5 days, this created pressure on the team. The average number of days for processing was 6.6 days during October 2023, therefore the target was only just being breached. Comparing against the industry standard and CIPFA benchmarking, the majority of pension funds had 15 days for the same target. The Operations Team had been restructured recently creating extra resilience. There had been some sickness in the team recently and the kpis would be reviewed in January.

The customer journey kpis were set out in the appendix, a review was being undertaken to identify failure points, there were multiple people involved the process with multiple trigger points. The detailed analysis was in the development stage and would be brought to a future meeting.

With regard to the overpayment invoice, this had been received and the benefits processed that day. It was noted that the issue that was referred to within the exempt appendix had now been resolved.

RESOLVED: The Local Pension Board noted the Northamptonshire Pensions Fund - Administration Performance Report.

121. **Business Plan Update**

The Head of Pensions provided an update on the Business Plan and the number of green targets related to procurement. The benefits consultancy had been concluded and a change from Aon to Hymans. There were 2 suppliers bidding for actuarial consultancy services and this was resource intensive, a soft market test had been undertaken initially. It was noted that the legal services competitive tender had also concluded.

The guaranteed minimum pension rectification was amber but was due to finish in March; resources had been redeployed as they were needed elsewhere but work could now recommence, and it was expected to be completed in the first quarter. The Government were late at issuing guidance on the McCloud Remedy and therefore this was amber. It was expected that two sweeps of the pension members records would need to be undertaken as the Fund would not yet know whether some members, with unaggregated public sector pension rights, were in scope. The undecided leavers activity was moving in the right direction but was expected to move slowly. Outsourcing was not a realistic option as many cases were complex and it was very expensive.

Following a review of the website, a new design had been created which was partly based on the gov.uk approach and user testing of the different options had begun. Julie Petrie advised that she had been involved in the testing and welcomed the new design.

RESOLVED: The Local Pension Board noted the Business Plan Update.

122. **Governance and Compliance Report**

The Governance and Regulations Manager introduced the report and provided an update on the Pension Dashboard. Information had been released nationally but the connection date was not being made to the public until the spring. The project plan had been prepared and paused last year. The workstreams would be reviewed to see how compliant the service was in line with the dashboard checklist; there were obviously a number of decisions that needed to be made regarding data protection, legality, AVC connections, data readiness and administrative maintenance. Updated progress against the checklist for the Northamptonshire Pension Fund would be presented to the Board in April 2024.

The McCloud remedy had been live since October and it was business as usual for new cases, with just a few manual interventions required. The service had met the necessary disclosure requirements in December.

The Department for Levelling Up, Housing and Communities (DLUHC) had circulated a draft prioritisation policy in October. The administration guidance had been published and Officers were undertaking checks and reviewing records. The General Code of Practice had been laid before parliament and there were 5 main areas with multiple modules within those. It was due to come into force on 27 March 2024. The

majority of the code was a consolidation of all the previous codes, so it was hoped that the service would therefore be compliant already.

The Chair reminded the members of the Board to ensure that they were up to date with their training on the mandatory modules.

Councillor Weatherill queried whether there were any concerns regarding risks. The Governance and Regulations Manager advised that a review of the service processes had been undertaken when the draft code had been published and would be working with the Funds governance advisors to check compliance against the final requirements. The Head of Pensions added that with regard to readiness for cyber security the fund was ahead of other funds.

RESOLVED: The Local Pension Board noted the Governance and Compliance Report.

123. **Administration Strategy**

The Head of Pensions reported that the Administration Strategy had been completely re-written and would be submitted to the Pensions Committee, after consideration by the Local Pension Board. It would also go out to consultation with stakeholders.

The Chair welcomed the refresh of the policy, considering it to be well-timed and asked that the members of the Board provide any comments on the policy by email.

Julie Petrie queried whether all employers were on iconnect and highlighted that there were issues with the administration for leavers on the system as it did not allow for future dates to be input.

RESOLVED: That the Pension Board review the draft administration strategy and provide any comments before final approval by the Pensions Committee.

124. **Northamptonshire Pension Fund Forward Agenda Plan**

The Governance and Regulations Manager drew Members' attention to the Pension Fund Forward Agenda Plan.

RESOLVED: The Local Pension Board noted the forward agenda plan.

125. **Exclusion of Press and Public**

RESOLVED: That Under Section 100A of the Local Government Act 1972, the Local Pension Board agreed that the public be excluded from the meeting for the following items of business on the grounds that if the public were present it would be likely that exempt information under Part 3 of Schedule 12A to the Act would be disclosed to them.

The meeting closed at 3.25 pm

Chair: _____

Date: _____

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**NORTHAMPTONSHIRE
PENSION FUND**

**Local Pension Board
Action log from Local Pension Board meeting held on 25 January 2024**

Agenda Item:

This log captures the actions from the Northamptonshire Local Pension Board of the 25 January 2024 together with any carried forward items from previous meetings and updates members on the progress on compliance in delivering the necessary actions.

This is the updated action log as at 08 April 2024

| Item No. | Item | Action to be taken by | Issue/Action | Action/Status |
|-----------------|---------------|------------------------------|--|---|
| 5. | ACCESS Update | Michelle Oakensen | The Chair queried when the next available opportunity was to attend the ACCESS meeting in person | Email send to the Chair confirming the next ACCESS in person meeting. |

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West Northamptonshire Council

Local Pension Board

24/4/2024

Mark Whitby – Head of Pensions

| | |
|----------------------|---|
| Report Title | Northamptonshire Pension Fund – Administration Performance Report for the period 1 January to 29 February 2024 |
| Report Author | Michelle Oakensen Governance and Regulations Manager michelle.oakensen@westnorthants.gov.uk |

Contributors/Checkers/Approvers

| | | |
|-------------------------|-------------|------------|
| Head of Pensions | Mark Whitby | 26/03/2024 |
|-------------------------|-------------|------------|

List of Appendices

Appendix A – Performance against key performance indicators.

Appendix B – Development of Key Performance Indicators during 2023/2024.

Appendix C – Timeliness of receipt of employee and employer pension contributions.

1. Purpose of Report

1.1. To present to the Pension Board a report on the administrative performance of the Northamptonshire Pension Fund.

2. Executive Summary

- 2.1 This report sets out the performance of the Northamptonshire Pension Fund.
- 2.2 The achievement against the Key Performance Indicators for the period 1 January to 29 February 2024 is detailed in sections 5.1 to 5.5 and appendix A. The majority of KPIs were met over the period.
- 2.3 The development of key performance indicators is detailed in section 5.1.2 and appendix B.
- 2.4 Timeliness of receipt of employee and employer pension contributions for the payroll periods of February 2023 to January 2024 is detailed in section 5.2 and appendix C. 99.9% of contribution payments were on time for the period.
- 2.5 Occurrences of breaches of the law for the period 1 January to 29 February 2024 are detailed in section 5.3. There were no material breaches in the period.
- 2.6 Details of any Internal Dispute Resolution Procedure cases during the period 1 January to 29 February 2024 are detailed in section 5.4. There was one stage 1 administering authority dispute and no employer disputes during the period.
- 2.7 There were no material data breaches for the period as stated in section 5.5.

- 2.8 There were no significant overpayments identified for the period as stated in section 5.6.
2.9 Details of admissions and cessations of the Northamptonshire Pension Fund and updates on previous cessations are detailed in section 5.7.

3. Recommendations

- 3.1 The Pension Board is asked to note the contents of the report.

4. Report Background

- 4.1 One of the core functions of the Pension Board is to ensure the effective and efficient governance and administration of the Northamptonshire Pension Fund. This report demonstrates a number of key areas of administration performance for consideration by the Pension Board.

5. Issues and Choices

Pension Service Administration

Pension Service performance against Key Performance Indicators

- 5.1 The Fund has in place a set of key performance indicators (KPIs) to assess the performance of the Pensions Service in the delivery of key items of casework. The actual performance against these KPIs for the period 1 January to 29 February 2024 can be found in appendix A along with the explanations for any underperformance.
- 5.2 Over the 2-month period, 3 of the 14 KPI targets have not been met.
- 5.3 Targets were missed for providing an estimate of benefits in January and February as a result of high levels of sickness creating a backlog of higher priority cases.
- 5.4 A Target was missed in February for notifying employees retiring from active membership of a benefits award, one case was due to the notification sending being sent late and the other 3 cases were delayed at the checking stage. These issues have been picked up within the team to prevent recurrence.
- 5.5 Performance is expected to improve once the sickness levels have reduced and as skills and experience continue to be embedded within the team. We continue to increase multi skilling to help with service resilience across teams.

Development of Customer Journey Key Performance Indicators

- 5.6 New and supplementary KPIs continue to be developed to measure the overall customer journey as approved by the Committee in March 2023 and presented to the Board in April 2023.
- 5.7 The majority of areas are now being reported with ongoing development for the calculation and notification of dependent benefits and the notification following a pension sharing order.
- 5.8 The analysis of the reporting is continuing to be developed to ensure the Service can take a proactive approach where possible in resolving any employer data issues.
- 5.9 The development of the KPIs to date can be found in appendix B.

Receipt of employee and employer contributions

- 5.10 Scheme employers have a statutory obligation to arrange for the correct deduction of employee and employer contributions and to ensure payment reaches the Pension Fund by the 19th of the month following the month of deduction. Providing an associated monthly statement/schedule in an acceptable format.
- 5.11 The table in appendix C shows the percentage of employers in the Northamptonshire Pension Fund who paid their employee and employer contributions and/or submitted their schedules on time or late for the payroll periods February 2023 to January 2024.

5.12 For December 2023 and January 2024, 100% of payments were received on time. The current yearly average for payments made on time is 99.9% and schedules being received on time is 99.4%.

Breaches of the Law

5.13 There are many laws relating to the Local Government Pension Scheme, with various individuals, including the Pension Committee and Local Pension both (collectively and as individuals) having a statutory duty to report material breaches of those laws to the Regulator. The Northamptonshire Pension Fund maintains a record of both material breaches that are reported to the Pensions Regulator as well breaches that are deemed not to be of material significance and so are not reported to the Pensions Regulator.

5.14 For the period 1 January to 29 February 2024 the following breaches of the law occurred.

| Type of breach | Detail of breach | Course of action |
|----------------|---|---|
| Material | None | None |
| Non-material | 6 refund of contribution payments were paid outside of the statutory 5-year period. | No further action at this stage, it is likely that the legislation surrounding this will be amended to remove the 5-year requirement. |
| | Missed statutory targets against Key Performance Indicators. | Issues will be addressed within the Service and with employers as appropriate. Further details can be found in Appendix C. |

Internal Dispute Resolution Procedure cases

5.15 Members, prospective members, and beneficiaries may not always agree with pension decisions that are made or may be unhappy that decisions have not been made, by either an administering authority or a scheme employer. The Internal Dispute Resolution Procedure (IDRP) is the route by which they may raise their concerns and challenge such decisions.

5.16 Disputes that are upheld at stage 1 may still progress to stage 2 if the scheme member or their representative remains unsatisfied with the overall outcome. The outcome may not fully meet the complainant’s expectations – particularly if their perception is that their financial loss was greater than any compensation awarded, or the level of non-financial injustice award was not consistent with their expectation.

5.17 The following tables details that activity undertaken during the 1 January to 29 February 2024 with regards to administering authority disputes.

5.18 Stage 1 disputes:

| Nature of Stage 1 Dispute (Head of Pensions) | Date received | Date Decision Due | Decision: Upheld/not upheld/partially upheld | Date of Decision |
|---|----------------|-------------------|--|------------------|
| Delays in payment of benefits from AVCs at retirement | 3 January 2024 | 2 March 2024 | Partially upheld | 1 March 2024 |

5.19 In the period 1 January to 29 February 2024 no new employing authority disputes were raised and/or responded.

Material Data Breaches

5.20 No material data breaches occurred during the period.

Significant overpayment of pension

5.21 No significant overpayments were made during the period.

Employers Admissions and Cessations

5.22 The following employers have entered the Northamptonshire Pension Fund as an admitted body:

- KGB Cleaning South West Limited (Kettering Buccleuch Academy)
- Semilong Services Limited (Northampton Partnership Homes)
- Easy Clean Contractors Limited (Our Lady's Catholic Primary School)
- Kingswood Education Catering Limited (Hunsbury Park Primary School)
- Aspens-Services Limited (East Midlands Academy Trust)
- Renuvo Limited (Northampton Partnership Homes)

5.23 The following employers have entered the Northamptonshire Pension Fund as a resolution body:

- Bugbrooke Parish Council
- Cottingham Parish Council

5.24 The following body has ceased to be an employer within the Northamptonshire Pension Fund:

- Cleantec Limited (Grange Primary Academy)

5.25 The following cessation was previously reported, and updates are provided as follows:

- NSL Limited

5.26 The cessation of NSL Limited was originally reported at the June 2023 meeting of the Pension Fund Board.

5.27 Following an exit credit determination, as required by, and considering the factors listed under section 64 (2ZC) of the Regulations, the Administering Authority has determined that the amount of exit credit payable to NSL was £458,000.

6 Implications (including financial implications)

Resources and Financial

6.1 Aon conducted the Key Performance Indicator review.

Legal

6.2 There are no legal implications arising from the proposals.

Risk

6.3 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below -

| Risk | Residual risk rating |
|--|----------------------|
| Information may not be provided to stakeholders as required. | Green |
| Those charged with governance are unable to fulfil their responsibilities effectively | Green |
| Failure to provide relevant information to the Pension Fund Committee/Pension Board to enable informed decision making | Green |

6.4 The executive summary can be found on the Fund’s website at the following link:
[Northamptonshire Risk Register](#)

Relevant Pension Fund Objectives

- 6.5 The following objectives as per the Business Plan have been considered in this report -
- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
 - To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund’s stakeholders, particularly the scheme members and employers.
 - To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
 - To continually monitor and measure clearly articulated objectives through business planning.
 - To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
 - To put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
 - To administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.

Consultation

6.6 No consultation has been required arising from the proposals within this report.

7. Background Papers

7.1 None.

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Appendix A – Pension Service Administration Key Performance Indicators – January and February 2024

| Function/Task | Indicator | Target | Month | Completed | Within Target | Over Target | % Within Target | RAG | Comments |
|---|--|--------|---------------------|------------|---------------|-------------|-----------------|----------------|--|
| Notify leavers of deferred benefit entitlement. | Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information. | 90% | January February | 171 134 | 166 127 | 5 7 | 97 95 | Green Green | SLA target met SLA target met |
| Payment of retirement benefits from active employment. | Notify employees retiring from active membership of benefits award, from date payable or date of receiving all necessary information if later within 10 working days. | 95% | January February | 32 28 | 31 24 | 1 4 | 97 86 | Green Amber | SLA target met SLA target not met |
| Payment of pension benefits from deferred membership status. | Notify members retiring from deferred membership status of benefits award, from date payable or date of receiving all necessary information if later within 10 working days. | 90% | January February | 65 58 | 63 53 | 2 5 | 97 91 | Green Green | SLA target met SLA target met |
| Award dependant benefits. | Issue award within 5 working days of receiving all necessary information. | 95% | January February | 32 29 | 32 28 | 0 1 | 100 97 | Green Green | SLA target met SLA target met |
| Provide a maximum of one estimate of benefits to employees per request. | Estimate in agreed format provided within 10 working days from receipt of all information. | 80% | January February | 37 59 | 34 31 | 13 28 | 65 53 | Red Red | SLA target not met SLA target not met |

Appendix A – Pension Service Administration Key Performance Indicators – January and February 2024

| | | | | | | | | | |
|---|---|-----|---------------------|----------|----------|--------|------------|----------------|----------------------------------|
| Provide transfer-in quote to scheme member. | Letter issued within 10 working days of receipt of all appropriate information. | 95% | January February | 31 29 | 30 29 | 1 0 | 97 100 | Green Green | SLA target met SLA target met |
| Payment of transfer out. | Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment. | 90% | January February | 32 21 | 32 21 | 0 0 | 100 100 | Green Green | SLA target met SLA target met |

Targets were missed for providing an estimate of benefits in January and February as a result of high levels of sickness creating a backlog of higher priority cases.

A Target was missed in February for notifying employees retiring from active membership of a benefits award, one case was due to the notification sending being sent late and the other 3 cases were delayed at the checking stage. These issues have been picked up within the team to prevent recurrence.

Performance is expected to improve once the sickness levels have reduced and as skills and experience continue to be embedded within the team. We continue to increase multi skilling to help with service resilience across teams.

Green: Equal to or above Service Level Agreement (SLA) target.

Amber: Below SLA target, but number completed within target is within 10% of the SLA target.

Red: Below SLA target and number completed within target is not within 10% of the SLA target.

Appendix B – Customer Journey Key Performance Indicators (statutory) for the Period 1 January to 29 February 2024

| Function/Task | Indicator | Month | % Within Target | Comments |
|---|---|---------------------|-----------------|--|
| Provide basic scheme information to new joiners. | 2 months from date of joining or member's request. | January February | 60 85 | The Pension Service is 100% within target for meeting the SLA of 2 months from the record being created on Altair which is dependent upon the receipt of the employer i-connect file. Reasons why the cases would not be completed within the statutory target are ¹ : <ul style="list-style-type: none"> • Arrears of pay resulting from a late agreed pay award. • Notifications of new starters received from employers within monthly i-connect files where the member's start date was already more than 2 months ago. • Payroll provider changes. |
| Provide transfer details for transfer in. | 2 months from date of request. | January February | 37 48 | Reasons why the cases would not be completed within the statutory target are ² : <ul style="list-style-type: none"> • Interfund in - Further information is required from the previous LGPS pension fund. • Transfer in – Further information is required from the member, the previous scheme, or the employer. |
| Provide details of transfer value for transfer out. | 3 months from date of request. | January February | 80 81 | Reasons why the cases would not be completed within the statutory target are ³ : <ul style="list-style-type: none"> • Interfund out - Further information is required from the employer prior to finalising the deferred benefit and there is a backlog in these cases due to the volumes. • Transfer out – Further information is required from the employer prior to finalising the deferred benefit. |
| Provide a CETV quotation for divorce purposes. | Within 3 months of the request (or shorter deadline as specified in a court order). | January February | 100 64 | In February, the performance was below target due to the clearance of the backlog relating to McCloud. Certain cases were previously placed on hold awaiting the new guidance from LGA, this has been released at the end of January allowing for older cases to be processed. |

¹ Reports are being developed to identify any arrears of pay cases in advance, the software provider is investigating solutions to identify new starter records that are created as a result of arrears as soon as the data is received on the system.

² An investigation into whether automated reporting can be developed to carry out the analysis required without any manual intervention is currently being undertaken.

³ An investigation into whether automated reporting can be developed to carry out the analysis required without any manual intervention is currently being undertaken.

Appendix B – Customer Journey Key Performance Indicators (statutory) for the Period 1 January to 29 February 2024

| Function/Task | Indicator | Month | % Within Target | Comments |
|--|---|---------------------|-----------------|--|
| Inform members who leave the scheme before retirement age of their rights and options. | As soon as practical and no more than 2 months of leaving. | January February | n/a 44 | <p>The Pension Service provided statutory information within 10 working days of being notified of a leaver for 100% of cases in February.</p> <p>The Pension Service has 10 working days to issue an options letter from the date an employer notifies the Fund of a leaver. Employer failures are therefore defined as any notification that has not been received by the Service within 46 days of a member leaving employment.</p> |
| Inform members who leave the scheme at or after retirement age of the benefits due. | Within 2 months of retirement date where the member retires before normal pension age. | January February | 33 63 | <p>Multiple factors contribute to the member experience for this indicator, this includes the type of information required (e.g. leavers details, certificates, forms) and the party responsible for supplying the information (employer, payroll provider, member). There is also the processing time required for the administrator to issue the award once all the information is received.</p> <p>For January, in 67% of the cases outside of target information was not provided by the scheme employer to allow the Pensions Service at least 10 working days to process the benefit.</p> <p>For February, in 83% of the cases outside of target information was not provided by the scheme employer to allow the Pensions Service at least 10 working days to process the benefit.</p> <p>Analysis will be undertaken, and any persistent trends addressed accordingly.</p> |
| Inform members who leave the scheme at or after retirement age of the benefits due. | Within 1 month of retirement date where the member retires on or after normal pension age. | January February | 57 10 | <p>Multiple factors contribute to the member experience for this indicator, this includes the type of information required (e.g. leavers details, certificates, forms) and the party responsible for supplying the information (employer, payroll provider, member). There is also the processing time required for the administrator once all the information is received.</p> |

Appendix B – Customer Journey Key Performance Indicators (statutory) for the Period 1 January to 29 February 2024

| Function/Task | Indicator | Month | % Within Target | Comments |
|--|---|-------|-----------------|--|
| | | | | <p>For January, in 100% of the cases outside of target information was not provided by the scheme employer to allow the Pensions Service at least 10 working days to process the benefit.</p> <p>For February, in 78% of the cases outside of target information was not provided by the scheme employer to allow the Pensions Service at least 10 working days to process the benefit.</p> <p>Analysis will be undertaken, and any persistent trends addressed accordingly.</p> |
| Calculate and notify dependant(s) of amount of death benefits. | As soon as possible, but in any event no more than 2 months of date or becoming aware of death. | | | A new death process is due to be created to enable reporting on this KPI. This is not currently possible as a separate case is set up on the member and the dependant. |
| Notify implementation information after receiving a pension sharing order (and no outstanding information) | Within 21 days of the later of, the date of receipt of the pension sharing order or the day on which the order takes affect or the date of receipt of the relevant documents / information. | | | No pension sharing order cases have been finalised in January 2024 and February 2024. In the coming weeks, DLUHC will be issuing new actuarial guidance on divorce debits and credits which will be needed to process a pension sharing order for a member protected by the McCloud remedy. |

Appendix C – Timeliness of payment of scheme employer and member pension contributions

| Month/Year | % of Employers Paid on Time | % of Employers Paid Late | % of Employers that Submitted Schedule on Time | % of Employers that Submitted Schedule Late |
|--------------------|--------------------------------|-----------------------------|---|---|
| February 2023 | 100 | 0 | 99.5 | 0.5 |
| March 2023 | 99.4 | 0.6 | 100 | 0 |
| April 2023 | 100 | 0 | 99.3 | 0.7 |
| May 2023 | 100 | 0 | 100 | 0 |
| June 2023 | 100 | 0 | 99.7 | 0.3 |
| July 2023 | 100 | 0 | 97.9 | 2.1* |
| August 2023 | 100 | 0 | 100 | 0 |
| September 2023 | 100 | 0 | 100 | 0 |
| October 2023 | 100 | 0 | 100 | 0 |
| November 2023 | 99.7 | 0.3 | 99.0 | 1 |
| December 2023 | 100 | 0 | 98.7 | 1.3 |
| January 2024 | 100 | 0 | 99 | 1 |
| Average for period | 99.9 | 0.1 | 99.4 | 0.6 |

*Higher than expected number of schedules submitted late for July due to an academy trust changing payroll providers.

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West Northamptonshire Council

Pension Fund Board

24/4/2024

Mark Whitby – Head of Pensions

| | |
|---------------|---|
| Report Title | Northamptonshire Pension Fund - Business Plan and Medium-Term Strategy 2024/25 |
| Report Author | Mark Whitby Head of Pensions mark.whitby@westnorthants.gov.uk |

Contributors/Checkers/Approvers

| | | |
|------------------|-------------|------------|
| Head of Pensions | Mark Whitby | 22/03/2024 |
|------------------|-------------|------------|

List of Appendices

Appendix A – Year-end status of Business Plan activities for 2023/24

Appendix B - Northamptonshire Pension Fund Business Plan and Medium-Term Strategy 2024/25

Appendix C - Cyber activity action plan – **exempt**

Appendix D - Climate Action Plan 2024/25

1. Purpose of Report

- 1.1 To present to the Pension Board the Northamptonshire Pension Fund Business Plan and Medium-Term Strategy 2024/25.
- 1.2 To update the Board on the end-of-year position of 2023/24 Business Plan activities.

2. Executive Summary

- 2.1 The report provides an update on the 2023/24 Business Plan activities, highlighting any activities not concluded and featuring in the 2024/25 Business Plan. A summary of the concluded procurements during 2023/34 are also provided in section 6.1 & Appendix A. The year-end position of the Cyber Resilience activities can be located in Appendix C (exempt).
- 2.2 The Business Plan and Medium-term strategy contains activities that are not considered as business as usual and provides key milestones and associated budget requirements. The Board are asked to note the contents of the 2024/25 Business Plan including resource requirements in section 6.2 & appendix B. The Climate Action Plan can be located in Appendix D.

- 2.3 The report also updates the Board on a decision to join the Pensions for Purpose community to support activities in connection with sustainable and impact investing (see section 6.3).

3. Recommendations

- 3.1 The Pension Board is asked to:
- 1) note the status of the 2023/24 Business Plan activities and current financial position (see section 6.1)
 - 2) note the contents of the Business Plan and Medium-Term Strategy 2024/25 (see section 6.2)
 - 3) note the membership application to Pensions for Purpose on behalf of the Northamptonshire Pension Fund (6.3).

4. Reason for Recommendations

- To ensure adequate oversight of the activities impacting the Northamptonshire Pension Fund.
- To ensure continuous monitoring of business plan activities.
- To ensure resources are managed appropriately to meet the objectives of the Fund.

5. Report Background

- 5.1 It is considered good governance for the Northamptonshire Pension Fund to adopt a Business Plan and Medium-Term Strategy that:
- Sets out the objectives of the administering authority with regards to the management of the Fund.
 - Documents the priorities and improvements to be implemented during the next three years to help achieve those objectives.
 - Enables progress and performance to be monitored in relation to those priorities; and
 - Provides a clear vision for the next three years.
- 5.2 The proposed Business Plan and Medium-Term Strategy for the Northamptonshire Pension Fund for the period 2024/25 to 2026/27 is in Appendix B.

6. Issues and Choices

Update on the 2023/24 Business Plan

- 6.1 The Business Plan activities from the 2023/24 financial year have been reviewed with a year-end position being established. The majority of activities have achieved a 'green' RAG status whereby the activity is either completed or it was pre-determined that the activity would be completed after March 2024.
- 6.2 There were four exceptions where the RAG status was 'amber' in the following areas –
- Complete the Guaranteed Minimum Pension (GMP) Rectification
 - Application of the McCloud age discrimination remedy.
 - Processing of undecided leaver records
 - Implement recommendations from the review of the website and digital communications.
- These activities did not progress at the desired rate for 2023/24 and have been rescheduled (with the exception of GMP rectification which should conclude by end of June 2024) as part of the 2024/25 Business Plan for resolution.

6.3 The procurements within the 2023/24 Business Plan were all concluded, and the outcomes were as follows:

| Procurement | Award | Start date |
|--------------------------------------|--|-----------------|
| Benefits and Consultancy Services | Hymans Robertson LLP (currently Aon) | 1 April 2024 |
| Actuarial Consultancy Services | Hymans Robertson LLP (incumbent) | 1 April 2024 |
| Legal Services | Squire Patton Boggs (incumbent) | 5 February 2024 |
| Administration and Pensioner Payroll | Heywood Pension Technologies (incumbent) | 1 October 2024 |

6.4 Details of the year-end position of all the activities and actions that are being carried over can be located in Appendix A and the Cyber Resilience Action Plan can be located in Appendix C.

6.5 The financial forecast for end-of-year position for 2023-24 is included within the 2024/25 Business Plan in Appendix B.

Business plan and Medium-Term Strategy 2024/25

6.6 The Business Plan and Medium-Term Strategy concentrates on activities that are not considered business as usual, identifying key milestones and budget requirements. It is split into the following core areas:

- Procurement of services
- Core governance activities
- Scheme member and data projects
- Investment related activities
- Communications

6.7 Progress made against the Business Plan will continue to be reported to the Board at each meeting via the Business Plan Update report or other relevant report (where appropriate). Where progress against the Business Plan has fallen behind schedule further detail will be provided.

6.8 Estimated costs for the activities in appendix B have been detailed alongside the activity and within the financial forecasting for the relevant years. Where further costs become known during the course of the new financial year these will be notified to the Board via the Business Plan Update report.

6.9 With the increasing complexities of the Scheme and the requirements of significant projects such as McCloud and Pension Dashboards it is becoming more challenging to administer the Fund (approximately 80,700 members and over 300 contributing employers) in a compliant and timely manner and on this basis, additional posts to the current establishment have been identified to alleviate pressure in the following areas -

- Three additional Pension Officer posts (full time) to support business as usual and facilitate the completion of undecided leavers backlog in time for the introduction of the government's Pensions Dashboard initiative and the work that is required from the McCloud rectification.
- A new Training Officer post (full time) to facilitate consistent and robust training to Officers allowing for resource to stay in teams and not be diverted when training is required. This post will allow for more flexibility within the Service and enable more effective succession planning.
- A new Administration Assistant (part time) to support with general administrative tasks to allow for workloads to be effectively managed ensuring key activities are prioritised. **Page 29**

- 6.10 As only approximately half of this resource will be engaged in NPF activity, the posts will be funded accordingly to reflect this.
- 6.11 The Climate Action Plan for 2024/25 is located at Appendix D and it also published on the Fund’s website.
- 6.12 The Business Plan and Medium-Term Strategy was approved by the Pension Fund Committee at its meeting of 27 March 2024.

Pensions for Purpose

- 6.13 Officers recommended the Fund joins the Pensions for Purpose community to support activities in connection with sustainable and impact investing. This is aligned with our investment strategy and responsible investment approach, as well as our climate action plan activities.
- 6.14 Pensions for Purpose shares best practice and promotes understanding of ESG and sustainable and impact investing. It does this by providing access to events, thought leadership, case studies, guidance and research.
- 6.15 Pensions for Purpose has a growing community of over 380 organisational members. Membership is free and the Fund’s name would be formally included in the Members’ Directory, hence the reason for a board decision on this matter.
- 6.16 Further information is available at [Home | Pensions For Purpose](#).
- 6.17 The Pension Fund Committee approved joining the Pensions for Purpose community at its meeting of 27 March 2024.

7 Implications (including financial implications)

Resources and Financial

- 7.1 Performance against the financial estimates in the Business Plan will be presented to the Pension Board each meeting. The Business Plan sets out the cost of each activity where known or where costs become known during the course of the year, the Pension Board will be updated accordingly.
- 7.2 The Fund’s share of the cost of the additional posts is approximately £72k to £80k depending on appointment scale point.

Legal

- 7.3 There are no legal implications arising from the proposals.

Risk

- 7.4 The mitigated risks associated with this report have been captured in the Fund’s risk register as detailed below -

| Risk | Residual risk rating |
|--|----------------------|
| Those charged with governance are unable to fulfil their responsibilities effectively. | Green |
| Pension Fund objectives are not defined and agreed. | Green |
| Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making. | Green |

The Fund’s full risk register can be found on the Fund’s website at the following link: [Northamptonshire Risk Register](#)

Relevant Pension Fund Objectives

7.5 The following objectives have been considered in this report -

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To continually monitor and measure clearly articulated objectives through business planning.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

Consultation

7.6 Not applicable.

8 Background Papers

8.1 Not applicable

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Appendix A – Business Plan activities 2023/24

| Activity | Year-end status | RAG status |
|--|--|------------|
| Complete the Guaranteed Minimum Pension Rectification. | This project is due to complete by 30 June 24 and therefore will not feature in the 2024/25 Business Plan. | Amber |
| Application of the McCloud age discrimination remedy. | Delays in government guidance has impacted this activity. The rectification element of the McCloud remedy will feature in the 2024/25 business plan. | Amber |
| Processing of undecided leaver records. | Continuation of the project will continue into the 2024/25 business plan. | Amber |
| Implement recommendations from the review of the website and digital communications. | Continuation of the project will continue into the 2024/25 business plan following a delay with the developer. | Amber |
| Review and implement changes required from the Pension Regulator’s new Code of Practice. | Transferred to the 2024/25 business plan due to the delay in the release of the code. | Green |
| Implement the best practice recommendations of the good governance review. | Transferred to the 2024/25 business plan due to the delay in the release of the standards. | Green |
| Implement equality, diversity and inclusion (EDI) best practices. | Completed. Action plan has been prepared and will be taken to April 2024 Local Pension Board. New milestones to form part of 2024-25 Business Plan. | Green |
| Address and mortality screening Services. | Completed. | Green |
| Re-tender for benefits and governance consultancy services. | Completed. | Green |
| Re-tender for actuarial consultancy services. | Completed. | Green |
| Re-tender for legal services provider. | Completed. | Green |
| Re-tender for pensions administration and pensioner payroll platform. | Completed. | Green |
| Continue to review cyber resilience. | Completed. | Green |
| Review the administrative performance of the Fund’s additional voluntary contribution providers. | Completed. | Green |
| Prepare for the implementation of Pension Dashboards. | Completed. | Green |
| Continue development of the ACCESS asset pool. | Completed. | Green |
| Continue activities within the Fund’s Climate Action Plan. | Completed. | Green |

Appendix A – Business Plan activities 2023/24

| Activity | Year-end status | RAG status |
|--|------------------------|-------------------|
| Implement the revised Investment Strategy. | Completed. | Green |
| Review of investment consultancy contract. | Completed. | Green |

Business Plan and Medium Term Strategy

2024/25 to 2026/27

Introduction

This is the business plan for the Northamptonshire Pension Fund which is managed and administered by West Northamptonshire Council. The business plan details the priorities and areas of key focus in relation to the Northamptonshire Pension Fund for 2024/25, 2025/26 and 2026/27. The business plan was approved at the Pension Committee meeting on 27/03/2024. The business plan is monitored throughout the year and the Pension Committee may be asked to agree changes to it.

The purpose of the business plan is to:

- Explain the background and objectives of West Northamptonshire Council in respect of the management of the Northamptonshire Pension Fund;
- Document the priorities and improvements to be implemented during the next three years to help achieve those objectives;
- Enable progress and performance to be monitored in relation to those priorities; and
- Provide a clear vision for the next three years.

In addition, the business plan includes a budget for expected payments to and from the Northamptonshire Pension Fund during 2024/25 including the resources required to manage the Fund.

Further information

If you require further information about anything included or related to this business plan please contact:

Mark Whitby, Head of Pensions
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07990 556197

Background to the Northamptonshire Pension Fund

The Northamptonshire Pension Fund is a £3.249bn* Local Government Pension Fund which provides retirement and death benefits for local government employees (other than teachers) in Northamptonshire and employees of other qualifying bodies which provide similar services.

The Fund's total membership* is approximately 80,724 of which 23,949 are active members from over 300* individual contributing employers and approximately 56,500 retired, survivor, deferred and other members.

*As at 31 March 2023

Governance and management of the Fund

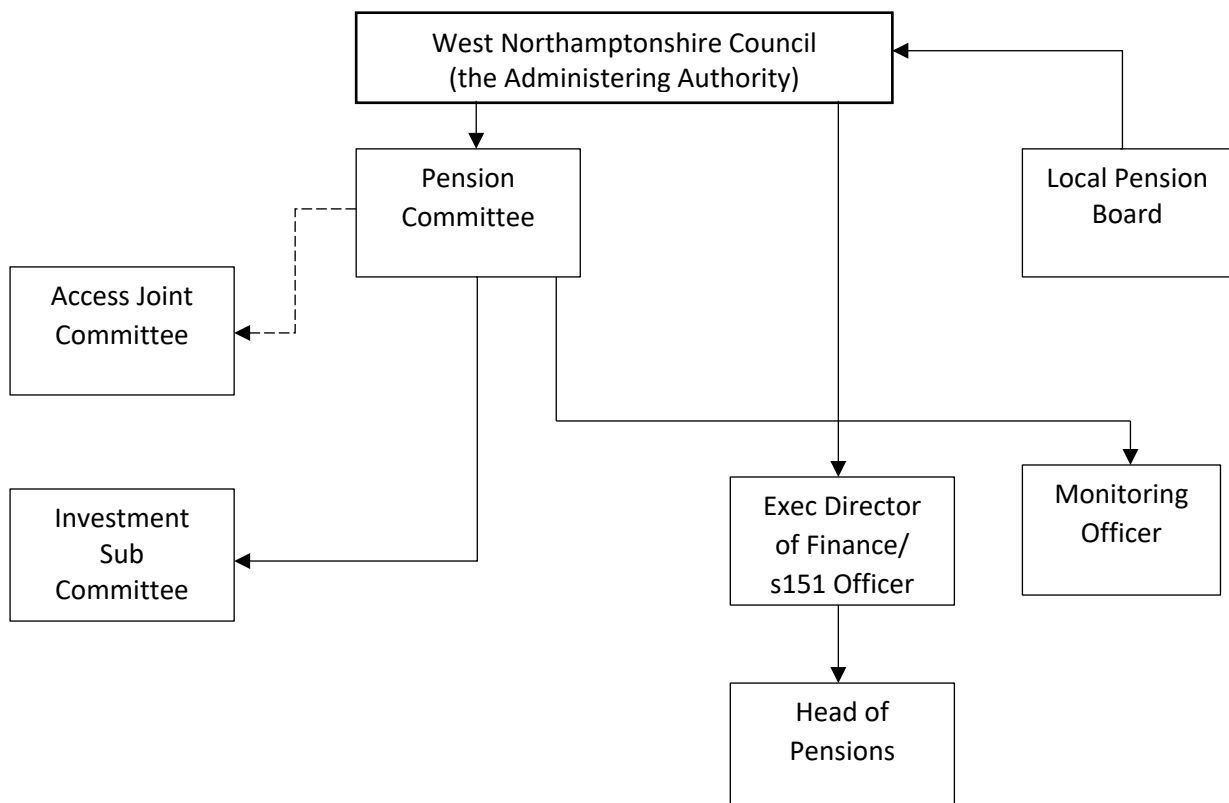
The key decision-making and management of the Fund has been delegated by West Northamptonshire Council (the administering authority) to a formal Pension Committee, supported by an Investment Sub-Committee that looks at the operational governance of investment issues.

West Northamptonshire Council's Section 151 Officer has a statutory responsibility for the proper financial affairs of the Council including Pension Fund matters.

Eleven authorities, including West Northamptonshire Council, are working collaboratively to meet the Government's asset pooling agenda by forming the ACCESS pool. A Joint Committee with representation from each Fund has been formed to oversee the governance of the pool.

A Local Pension Board is in place to assist in securing compliance of Fund matters and ensuring the efficient and effective governance and administration of the Fund.

The Northamptonshire Pension Fund governance structure is shown below.



Administration of the Fund

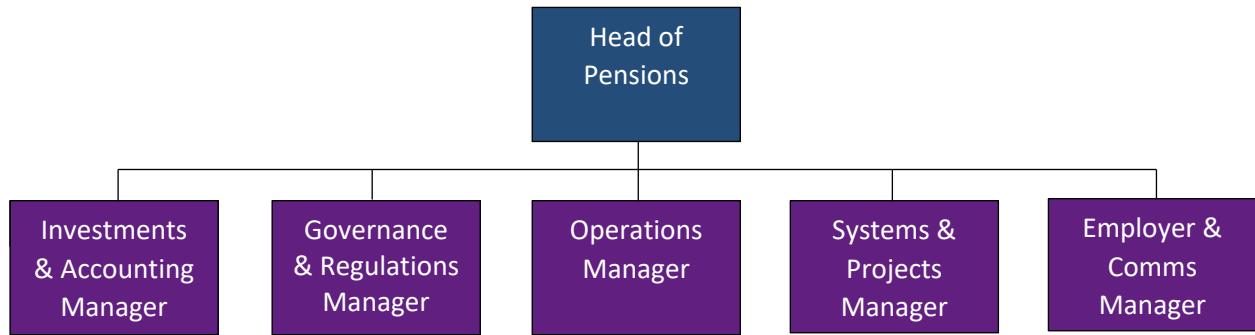
The Cambridgeshire and Northamptonshire Pension Funds are administered under a lead authority model with the lead authority being West Northamptonshire Council working in partnership with Cambridgeshire County Council. The Funds remain two distinct entities.

Management and administration of both Funds is based at One Angel Square in Northampton. The Funds have benefited from cost savings through the ability to procure services such as custodian, actuarial, benefits, governance and investment consultancy on a joint basis as well as streamlining the provision of the administration functions.

The day-to-day operations of the Fund are managed by the Head of Pensions who is supported by five teams:

- The Governance and Regulations Team is responsible for managing agendas, producing reports and delivering training to the Pension Committee and Local Pension Board. In addition, the team takes the lead in the development of strategic policies relating to the operation, governance and management of the Fund and monitors compliance and provides quality assurance with prevailing LGPS specific and overriding legislation. The team specialises in information governance and pension taxation.
- The Investments and Fund Accounting Team liaises with the ACCESS asset pool and provides governance over the Fund's investments whether held directly or by the ACCESS pool, reporting to the Investment Sub-Committee and other Committees as required. The team also provides the financial control function to the Fund, managing and accounting for the receipt of contributions from employers, processing the Fund's financial transactions and overseeing the production and audit of the Annual Report and Statement of Accounts.
- The Operations Team is responsible for providing the full range of casework administration. The team delivers a service that includes the calculation of retirement, deferred, death and survivor benefits, transfers in and out, refunds and member record maintenance.
- The Systems & Projects Team is responsible for a wide range of projects that are required to be delivered across the service. The current projects that are being delivered are overseas proof of existence checks on pensions in payment, data quality improvements, certain activities resulting from the McCloud remedy, preparation for pension dashboards and targeted areas of casework classified as backlog. The team is also responsible for maintaining the pension administration, payroll, member self-service systems, reconciling membership data received from employers and the production of annual benefit statements.
- The Employer Services and Communications Team is responsible for facilitating the entry and exit of employers to and from the Fund. The team also acts as employer liaison, providing end to end support to employers throughout their life cycle in the Fund, including day to day assistance and training to ensure employers are aware of and able to carry out their responsibilities. The team also manages the internal and external escalation process, the triennial actuarial valuation process and managing employer risk. Scheme member and employer communications form a significant part of the team's function which ranges from the design and management of the Fund's website, presentations, workshops, newsletters and written communications.

The structure of the Pensions Service which provides administration services to both the Cambridgeshire Pension Fund and the Northamptonshire Pension Fund, as at 31 March 2024 is illustrated below in simplified form:



The current full time equivalent of staffing is 91.37. The full Pensions Service structure is at Appendix A.

Objectives for the management of the Fund

The Fund's agreed objectives are detailed as follows:

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies, and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
- To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- To continually monitor and measure clearly articulated objectives through business planning.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- To ensure regular monitoring of employer covenants, putting in place mitigations of adequate strength to protect the Fund.
- To ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer.
- To put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
- To ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer.
- To administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.
- To maintain accurate records and ensure data is protected and used for authorised purposes only.
- To promote the scheme as a valuable benefit.
- To deliver accessible communications to stakeholders.
- To provide scheme members with up-to-date information about the scheme in order that they can make informed decisions about their benefits.
- To seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.
- To ensure cash flows in to and out of the Fund are timely and of the correct amount.

- To ensure the long-term solvency of the Fund, taking a prudent long-term view, so that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment.
- To put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.
- To maximise investment returns over the long term within agreed risk tolerances.
- To ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required.
- To invest sustainably to achieve better long-term outcomes for the Fund and its stakeholders by ensuring environmental, social and governance factors are taken account of across all investment decision making.

Business as usual

The appendix to the business plan highlights the key priorities for the next three years and focuses on areas of change and projects which are in addition to day to day “business as usual” duties. On a day-to-day basis the focus is on the following key elements of Fund management:

- Paying pension benefits to beneficiaries as prescribed by the LGPS Regulations.
- Ensuring employers provide monthly membership data by the required deadline.
- Communicating with scheme members about their membership of the Fund.
- Ensuring all pension contributions that are paid by active members are received as prescribed by the LGPS.
- Ensuring all employers pay their pension contributions.
- Safeguarding the money in the Fund (the Fund’s assets).
- Investing any Fund assets that are in excess of those needed to pay immediate benefits.
- Working with the Fund Actuary to ensure that the amount employers pay into the Fund is sufficient to pay future pension benefits.

Managing this on a day-to-day basis involves a wide range of processes and procedures designed around achieving the Fund’s objectives. The Fund is large, complex, and highly regulated. As such these processes and procedures require expert knowledge and experience as illustrated below.

Governance

- Setting the agenda, reporting, and presenting to the Pension Committee, Investment Sub-Committee and Local Pension Board.
- Implementing and monitoring areas such as the training, risk management, reporting breaches of the law and compliance with the Pensions Regulator’s code of practice and changing LGPS regulations and over-riding legislation.
- Ensuring adherence to the administering authority’s policies and legal requirements for procurement, cyber security, and data protection.
- Ensuring Fund policies and strategies are in place and appropriately maintained.
- Procurement of advisers and other services.
- Assisting internal and external auditors in their role.
- Responding to freedom of information requests.
- Participation in the Joint Committee of the ACCESS pool.

Accountancy

- Preparing and publishing the Fund's annual report.
- Completing the annual accounts and assisting external auditors.
- Preparing the annual budget, monitoring, and reporting quarterly.
- Preparation of statutory and non-statutory returns as required.
- Conducting monthly bank reconciliations.
- Cash flow management.
- Monthly monitoring of income and expenditure including employer and scheme member contributions.
- Invoicing of employers for pensions strain and unfunded benefits.

Funding

- Agreeing the draft funding strategy with the Fund Actuary, for Committee approval, every three years, consulting with employers and monitoring continued appropriateness annually.
- Managing the triennial valuation alongside the Fund Actuary, providing membership and cash flow data, and appropriately communicating with scheme employers.
- Monitoring the covenant of scheme employers including their ability to pay contributions and managing those who wish to join or cease membership of the scheme.
- Managing the FRS/IAS reporting cycles alongside the Fund Actuary, based on employer specifications and appropriately communicating with Scheme Employers.

Investments

- Monitoring and reporting on the Fund's funding position.
- Carrying out a review of the investment strategy at appropriate intervals.
- Managing the Fund's assets through the asset pool arrangements or directly for non-pool aligned assets.
- Monthly monitoring and implementation of the tactical asset allocation decisions.
- Working with other LGPS Funds within ACCESS to ensure the pool meets the Fund's strategic investment requirements.

Administration

- Providing ongoing information to scheme members and their beneficiaries as they join, leave, or change status.
- Calculating and notifying scheme members of their entitlement to pension and death benefits.
- Providing quotations of retirement benefits including any additional costs to scheme employers.
- Providing information on how scheme members can increase their pension benefits.
- Maintaining accurate scheme member records.
- Receiving monthly membership data from scheme employers, checking its validity and ensuring it is accurately uploaded to scheme member records.
- Providing an online scheme member self-service facility.
- Administering the internal dispute resolution procedure.

Payroll

- Calculating and paying monthly pensions to pensioners and beneficiaries.
- Issuing of payslips at appropriate times.
- Issuing P60s.
- Investigating returned payments and dealing with any under or overpayment of pensions.
- Updating and maintaining accuracy of pensioner member details.

Communication

- Providing annual benefit statements to all active and deferred scheme members.
- Providing all other statutory communications to members.
- Providing information to members via one-to-one sessions, workshops and newsletters.
- Launch new Fund website.
- Providing new scheme employers with information about their responsibilities.
- Providing ongoing training and technical updates to employers.
- Prepare for the next triennial valuation

Technical

- Maintaining and updating the pensions administration and pensioner payroll system.
- Ensuring presence, accuracy, and regular review of scheme member data in line with the expectations of the Pensions Regulator and to comply with the General Data Protection Regulations.
- Providing guidance on changes in processes following new or amending legislation.
- Monitoring and reporting on progress against key performance indicators and daily work management.
- Providing reports and extracts for GAD and other government departments.
- Reporting and making payments to HMRC.
- Processing bulk updates to member records such as new joiners and leavers, pensions increase, CARE revaluation and monthly pensionable pay and contribution data.

Challenges and influences over the next three years

The current environment is such that there is an unprecedented volume of external factors that could impact the management of the Fund:

- The increased oversight by the Pensions Regulator and the issuance of the new general code of practice.
- Implementation of Pension Dashboards.
- New and amending regulations affecting the Local Government Pension Scheme including the remedy resulting from the McCloud high court ruling.
- The impact of the abolishment of the Lifetime Allowance from 6 April 2024.
- The ongoing implementation of the government's requirements to pool LGPS pension fund assets with other Funds.
- Maintaining the skills and knowledge of officers and Committee and Board members to comply with the requirements of MIFIDII, CIPFA's skills and knowledge framework, and best practice and guidance stemming from the Scheme Advisory Board's Good Governance Review.
- The number and diversity of scheme employers due to alternative provision models within the local government universe.
- Finding innovative and digital ways of working for the benefit of the Fund, the member and the scheme employer to achieve the Fund's strategies on administration, communication and employer engagement.
- The increasing scrutiny and transparency on data quality.
- To stay ahead of the increasingly sophisticated challenges presented by cyber-crime.
- Evidencing savings and improved investment governance arising from asset pooling.
- The risk of members being exposed to potential scams and the increasing requirements of the Fund to provide protection against this.
- The need to manage the climate risk within the Fund's investment portfolio as well as meet future statutory reporting requirements including those related to the Task Force on Climate-Related Financial Disclosures (TCFD).

These and other priorities for the next three years are articulated in more detail in the appendix to this business plan, split into six sections:

- Procurement of services
- Core governance activities
- Scheme member and data projects
- Scheme employer projects
- Investment related activities.
- Communications

Budget

All the costs associated with the management of the Fund are charged to the Fund and not West Northamptonshire Council. The following shows the expected income and expenditure (cash flow) of the Fund as well as the anticipated operating costs.

Cash flow projection 2022/23 to 2025/26

The following tables provide estimates of the Fund account, investment and administration income and expenditure for the next three years.

| | 2023/24 Estimate | 2023/24 Forecast | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Contributions ¹ | (117,000) | (126,000) | (135,000) | (138,000) | (143,000) |
| Transfers in from other pension funds ² | (10,500) | (20,000) | (17,500) | (18,000) | (18,500) |
| TOTAL INCOME | (127,500) | (146,000) | (152,500) | (156,000) | (161,500) |
| Benefits payable ³ | 118,000 | 117,000 | 128,000 | 133,000 | 139,000 |
| Payments to and on account of leavers ² | 10,000 | 14,500 | 12,500 | 13,000 | 13,500 |
| TOTAL PAYMENTS | 128,000 | 131,500 | 140,500 | 146,000 | 152,500 |
| Net (additions)/withdrawals from dealings with members | 500 | (14,500) | (12,000) | (10,000) | (9,000) |
| Management expenses (Invoiced) | 4,078 | 4,069 | 4,652 | 4,973 | 5,053 |
| Management expenses (Non-invoiced) ⁴ | 13,100 | 12,900 | 13,500 | 14,000 | 14,700 |
| TOTAL MANAGEMENT EXPENSES | 17,178 | 16,969 | 18,152 | 18,973 | 19,753 |
| TOTAL INCOME LESS EXPENDITURE | 17,678 | 2,469 | 6,152 | 8,973 | 10,753 |
| Investment income ⁵ | (31,000) | (35,000) | (32,000) | (33,000) | (34,000) |
| Taxes on income | | - | - | - | - |
| (Profit) and losses on disposal of investments and changes in the market value of investments ⁶ | (138,000) | (206,500) | (151,000) | (158,000) | (165,000) |
| NET RETURN ON INVESTMENTS | (169,000) | (241,500) | (183,000) | (191,000) | (199,000) |
| Net (increase)/decrease in net assets available for benefits during the year | (151,322) | (239,031) | (176,848) | (182,027) | (188,247) |

Management Expenses

| | 2023/24 Estimate | 2023/24 Forecast | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Total administration expenses | 2,784 | 2,413 | 2,847 | 2,932 | 3,073 |
| Total governance expenses | 814 | 934 | 988 | 1,187 | 1,089 |
| Total investment expenses | 480 | 722 | 817 | 853 | 890 |
| TOTAL MANAGEMENT EXPENSES | 4,078 | 4,069 | 4,652 | 4,973 | 5,053 |

Administration Expenses

| | 2023/24 Estimate | 2023/24 Forecast | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Staff related | 1,819 | 1,891 | 2,145 | 2,214 | 2,284 |
| Altair administration and payroll system | 397 | 367 | 338 | 355 | 373 |
| Data Assurance | 21 | 21 | 21 | 22 | 23 |
| Communications | 51 | 19 | 86 | 27 | 29 |
| Other non pay and income | 29 | (352) | (233) | (200) | (176) |
| County Council overhead recovery | 467 | 467 | 490 | 515 | 540 |
| TOTAL ADMINISTRATION EXPENSES | 2,784 | 2,413 | 2,847 | 2,932 | 3,073 |

- ¹ Contributions have been calculated using the Employer contribution rate and salary increase assumptions of 3.2% set by the actuary at the 2022 Valuation. Contributions in 2026/27 are subject to change due to the 2025 valuation. The 2023/24 forecasted variance is due to actual salary increases being much higher than the actuarial salary increase assumption used from the 2022 valuation.
- ² Transfers in/out have been calculated using an average of 3 years (excluding group transfers).
- ³ 2024/25 benefits payable have been calculated using average membership increases, estimated PI of 6.7% and pension increases assumptions of 2.7% set by the actuary in subsequent years.
- ⁴ Management expenses (non-invoiced) have been calculated using investment managers actual fees plus the actuarial assumption of investment growth +4.4% per annum.
- ⁵ Investment income have been calculated by using an average of 3 years income received and applying the actuarial assumption of investment growth +4.4% per annum.
- ⁶ Return on Investments have been calculated by applying the actuarial assumption of investment growth +4.4% per annum.

Delivering the business plan

Monitoring and reporting

To identify whether the agreed business plan is being met progress on the key priorities and budgets will be monitored by the Fund management team and reported to the Pension Committee and Local Pension Board at every meeting.

The updates will:

- Highlight any areas where the target is exceeded or where the target has not been achieved and the reasons why and identify any changes in response to the planned priorities because of this.
- Highlight any significant additional spend or underspend in relation to the agreed budget as it becomes apparent.

Risk Management

The Northamptonshire Pension Fund has embedded risk management into the governance of the Fund. The Pension Committee has approved a Risk Strategy and a detailed Risk Register is maintained and reviewed by the Local Pension Board at every meeting. Changes to the level of risk are reported to the Pension Committee at every other meeting, or more frequently if necessary.

The table below lists the Fund's highest rated risks as of February 2023 and the executive summary risk register can be found on the Fund's website:

| Risk | Residual risk rating |
|--|-----------------------------|
| The operations of the Pension Fund and that of its suppliers are interrupted as a result of a cyber-attack. | Amber |
| Failure to respond to changes in economic conditions. | Amber |
| The ACCESS asset pool does not have the sub-fund choices available to enable the Fund to fulfil its strategic and tactical asset allocation requirements in a timely manner. | Amber |
| The Pension Fund and its members may become a target for fraudsters and criminals. | Amber |
| Pension Fund systems and data may not be secure and appropriately maintained, whether in situ or in transit. | Amber |

Procurement of Services

| Activity | Background | Key Milestones | Resources required |
|---|---|---|--|
| <p>Extend the contract with the current supplier of address and mortality screening services and have a new solution in place from 1 April 2025.</p> | <p>The current contract for address tracing and mortality screening ceases in June 2024.</p> <p>The delay in launching the National LGPS Framework has meant that there will be inadequate time to comprehensively review options before the current contract expires.</p> <p>Therefore, the aim is to have a new solution in place from 1 April 2025 to allow for all options to be fully considered.</p> | <p>Extend existing contract until 31 March 2025 (subject to s151 Officer approval) (April 2024).</p> <p>Register to access National LGPS Framework (April 2024).</p> <p>Consider framework offerings and other suitable solutions (April – June 2024).</p> <p>Develop approach for procurement of address and mortality screening services (June 2024 onwards).</p> | <p>Costs will be dependent upon route determined.</p> <p>Framework costs TBC.</p> <p>Legal fees TBC.</p> |
| <p>Procure an Integrated Service Provider (ISP) to enable connection to the Pension Dashboards ecosystem before the staging date deadline of 31 October 2026.</p> | <p>Via a variation agreement to the Fund’s pensions administration and payroll software contract, procure Heywood Pensions Technology Ltd’s ISP solution and associated data quality reports enabling:</p> <ul style="list-style-type: none"> - connection to the Dashboard ecosystem; - improvements in data quality to facilitate smoother data matching. <p>The Heywood ISP solution will fully integrate into the pensions administration system, Altair, resulting in a more effective and straightforward implementation than with an alternative provider.</p> <p>ISP capabilities of suppliers were tested as part of the 2023-24 pensions software tender.</p> | <p>Complete procurement activities (April 2024, or sooner).</p> <p>Receive data quality reports and produce data improvement plan to improve data quality for matching purposes (April 2024 or sooner).</p> <p>Implementation of software (tbc when the Pensions Dashboards Programme confirm final parameters that will enable ISP suppliers to begin implementation).</p> | <p>Framework costs TBC.</p> <p>Legal fees £1,000.</p> <p>Implementation cost £10,000.</p> <p>Annual cost £56,000 ISP and £11,000 reporting dashboards support and maintenance.</p> |

Core governance activities

| Activity | Background | Key Milestones | Resources required |
|---|--|--|--|
| <p>Review and implement changes required from the Pension Regulator’s new General Code of Practice.</p> | <p>In March 2021 the Pensions Regulator launched a consultation on its revised code of practice for the pensions industry. The revised code of practice consolidates, updates, and amends the existing 15 codes of practice into one single consistent source of information.</p> <p>The responses to the consultation have taken the Pensions Regulator longer than expected to digest and as such the new general code of practice’ is due to come into force in March 2024.</p> | <p>Review compliance of the Fund against the new standards (April 2024).</p> <p>Develop an action plan of changes required (May 2024).</p> <p>Present progress against the action plan to the Pension Fund Committee and Pension Board at each meeting (June 2024 – October 2024).</p> | <p>No additional staffing costs.</p> <p>All costs included within the governance budget for 2024/25.</p> |
| <p>Implement the best practice recommendations of the good governance review.</p> | <p>The Scheme Advisory Board (SAB) has been working on the good governance review for several years with the current objective to identify both the issues deriving from the current scheme arrangements and the potential benefits of increasing the level of separation between the host authority and the scheme manager role to avoid potential conflicts of interest.</p> <p>Following consultation with LGPS stakeholders, in February 2021, a number of recommendations for improvement were identified. Some would require the input of DLUHC to amend scheme regulations and publish statutory guidance, others by SAB and other for Funds to implement as best practice.</p> <p>The standards are due to be issued early 2024.</p> | <p>Develop an action plan to implement the best practice activities (TBC).</p> <p>Present update on progress on action plan to the Pension Fund Committee (TBC) and Pension Board (TBC).</p> <p>Implementation of activities requiring SAB and DLUHC guidance (TBC).</p> | <p>No additional staffing costs.</p> <p>All costs included within the governance budget for 2024/25.</p> |

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|---|--|---|---|
| <p>Prepare for the implementation of Pension Dashboards.</p> | <p>Government made a commitment that Pension Dashboards would be created by the pensions industry, enabling pension savers to view details of all their pensions together. The industry is currently consulting on the proposed staging date for public service pension schemes with the final staging guidance to be released by the Money and Pensions Service in the Spring of 2024.</p> <p>Project plan activities based on national connection guidance will be undertaken in the following areas in order to connect to the Pension Dashboard ecosystem: Governance, Internal controls, Connection, Record keeping, Budget, Resource, Data.</p> <p>Note there is a separate Business Plan activity dealing with the ISP procurement.</p> | <p>Undertake project plan activities to enable connection to the Dashboard including data cleansing activities (April 2024 – March 2025).</p> <p>Update the Committee and Board with progress against the Pension Regulator’s dashboard checklist as appropriate.</p> | <p>No additional staffing costs.</p> <p>All costs included within the governance budget for 2024/25.</p> <p>ISP costs set out in separate business plan activity.</p> |
| <p>Continue to review cyber resilience</p> | <p>Cyber-crime will continue to evolve and become increasingly sophisticated and as such this area will be regularly reviewed and monitored. The cyber action plan will be updated as and when necessary.</p> | <p>Ongoing monitoring and development of the cyber strategy and action plan via the Business Plan Updates at each meeting of the Pension Fund Committee and Pension Fund Board.</p> | <p>No additional staffing costs.</p> <p>All costs associated with this activity have been included within the governance budget.</p> |
| <p>Implement equality, diversity and inclusion (EDI) best practices</p> | <p>The Pensions Regulator has published guidance to help improve pension schemes’ equality, diversity and inclusion. Pension schemes have legal duties to scheme members, and good decision making is key to ensuring those duties are met. EDI supports robust discussion and effective decision making and is an important consideration for schemes.</p> <p>The Fund will be aiming to improve its equality, diversity and inclusion via these best practices.</p> | <p>Present action plan to Local Pension Board (April 2024)</p> <p>Present action plan to Pension Committee (June 2024)</p> <p>Further milestones subject to action plan approval (TBC)</p> | <p>No additional staffing costs.</p> <p>All costs included within the governance budget for 2024/25.</p> |

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| <p>Review the National LGPS Framework for Additional Voluntary Contribution Services (AVC)</p> | <p>The Fund has two Additional Voluntary Contribution (AVC) providers Standard Life and Prudential, which have recently been reviewed for administration and investment performance for which both were deemed adequate for the needs of the Fund.</p> <p>However, it is important that the Fund does not become complacent with arrangements over the long term and other providers should be considered where appropriate to establish whether another arrangement would be better suited for members.</p> <p>The first National LGPS Framework for AVC Services is being developed to support Funds in meeting their AVC responsibilities and is due to launch at the end of April 2024. A decision will be made as to whether to enter into a procurement process.</p> | <p>Register to access national LGPS Frameworks (May 2024).</p> <p>Consider framework offerings against arrangements already in place (June 2024 – August 2024).</p> <p>Develop approach for procurement if required (July – August 2024).</p> <p>Present findings to the Pension Fund Committee (October 2024) and Pension Fund Board (November 2024).</p> | <p>Costs will be dependent upon route determined.</p> <p>Framework costs TBC.</p> <p>Legal fees TBC.</p> |
|--|--|--|--|

Scheme member and data projects

| Activity | Background | Key Milestones | Resources required |
|-------------------------------------|---|--|--|
| <p>McCloud remedy rectification</p> | <p>The McCloud age discrimination remedy removes the age discrimination that has been judged to have arisen in the LGPS due to the age-related transitional protections that were introduced following the introduction of CARE arrangements in 2014.</p> <p>Following the implementation of the age discrimination remedy on 1st October 2023 the records of scheme members within scope of the McCloud ruling must be reviewed to determine if any rectification of benefits is required in line with the remedy and national guidance that is currently awaited from DLUCH.</p> | <p>Milestones will be updated once guidance from DLUCH has been received.</p> <p>The LGA have advised Funds to allow for two years from receipt of the guidance to completion of all activities.</p> | <p>Possible consultancy costs may be incurred with uploading data to records (the potential costs have yet to be confirmed).</p> |

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|---|---|---|--|
| <p>Processing of undecided leaver records</p> | <p>The Fund has a number of unprocessed leaver records where a member has left a period of pensionable employment, is not entitled to immediate payment of pension benefits, but is entitled to either a refund of contributions, aggregation with another period of pensionable membership and/or a deferred pension award.</p> <p>A significant number of these records are in progress for a variety of reasons, including outstanding information or workflow. Any case which is older than 6 months since the point of notification is classed as backlog/aged case and reported through this business plan activity.</p> <p>The backlog had reduced by over 1,400 cases as at 31 January 2023 to circa 7,000 cases. The intention is to reduce this backlog by 6,000 further cases over the next 3 years.</p> | <p>NPF: Reduce the backlog by 1,000 (April 2024 – March 2025).</p> <p>Reduce the backlog by 2,500 (April 2025 – March 2026).</p> <p>Reduce the backlog by 2,500 by 2,500 (April 2026 – March 2027).</p> | <p>Costs are to be met by the administration budget, which includes the addition of two Pensions Officers to BAU, preventing further spill over into backlog, and one further officer to the project team.</p> |
| <p>Explore the upgraded member self-service portal, Heywood Engage.</p> | <p>The Fund’s supplier (Heywood Pension Technologies Ltd) of the current member self-service portal (MSS) have released a new self-service portal, Heywood Engage, with many enhanced features to provide scheme members with a better understanding of their future pension entitlement.</p> <p>In order to determine the optimum time, migrate to the new portal a full review of the portal’s offerings, migration process and communication requirements will need to be undertaken.</p> | <p>Undertake review of the current new and enhanced features and those that will be introduced in this financial year (April – May 2024).</p> <p>Consider all actions required from the migration process and impact on communications and support required by members (June – July 2024).</p> <p>Make decision on if/when to begin implementation (August 2024).</p> | <p>No additional resources required at this time.</p> <p>Core functionality of Heywood Engage does not incur any additional cost. Implementation costs and costs for additional functionality will be provided to inform future decision making.</p> |

Investment related activities

| Activity | Background | Key Milestones | Resources required |
|---|--|--|---|
| <p>Continue development of the ACCESS asset pool.</p> | <p>The key asset pooling developments over the medium-term are:</p> <ul style="list-style-type: none"> - Expected regulations and guidance following DLUHC's response to the "LGPS: Next steps on investments" consultation, including those relating to the pooling model, the pace of asset transition, levelling up plans and private equity ambition. - Matters arising from the ACCESS third party review - The Operator re-procurement - Provision of ACCESS non-listed asset solutions; real estate, private equity, private debt, infrastructure - Responsible investment | <p>Consideration of revised regulations and guidance (TBC)</p> <p>Consideration/implementation of options from third party review (throughout 2024-25)</p> <p>Procurement of Operator (March 2024 – Dec 2024) Operator contract effective from March 2025</p> <p>Non-listed programme development (throughout 2024-25)</p> <p>Responsible investment activities including review of Voting Guidelines (throughout 2024-25)</p> <p>Further restricted information will be provided through the regular ACCESS update.</p> | <p>ACCESS costs have been included in Management Expenses based on estimated costs provided by the Pool</p> |

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| Continue activities within the Fund's Climate Action Plan | <p>In May 2023, the ISC approved the adoption of the carbon footprint metric as the primary metric for monitoring progress against the existing decarbonisation targets, maintaining reductions at 23% by 2024 and 57% by 2030.</p> <p>In November 2023, ISC approved the “roadmap” carbon reporting beyond listed equities.</p> | All activities are listed within the Climate Action Plan – see Appendix D. | All costs associated with this have been included within the Investment and Staffing budgets |
|---|--|--|--|

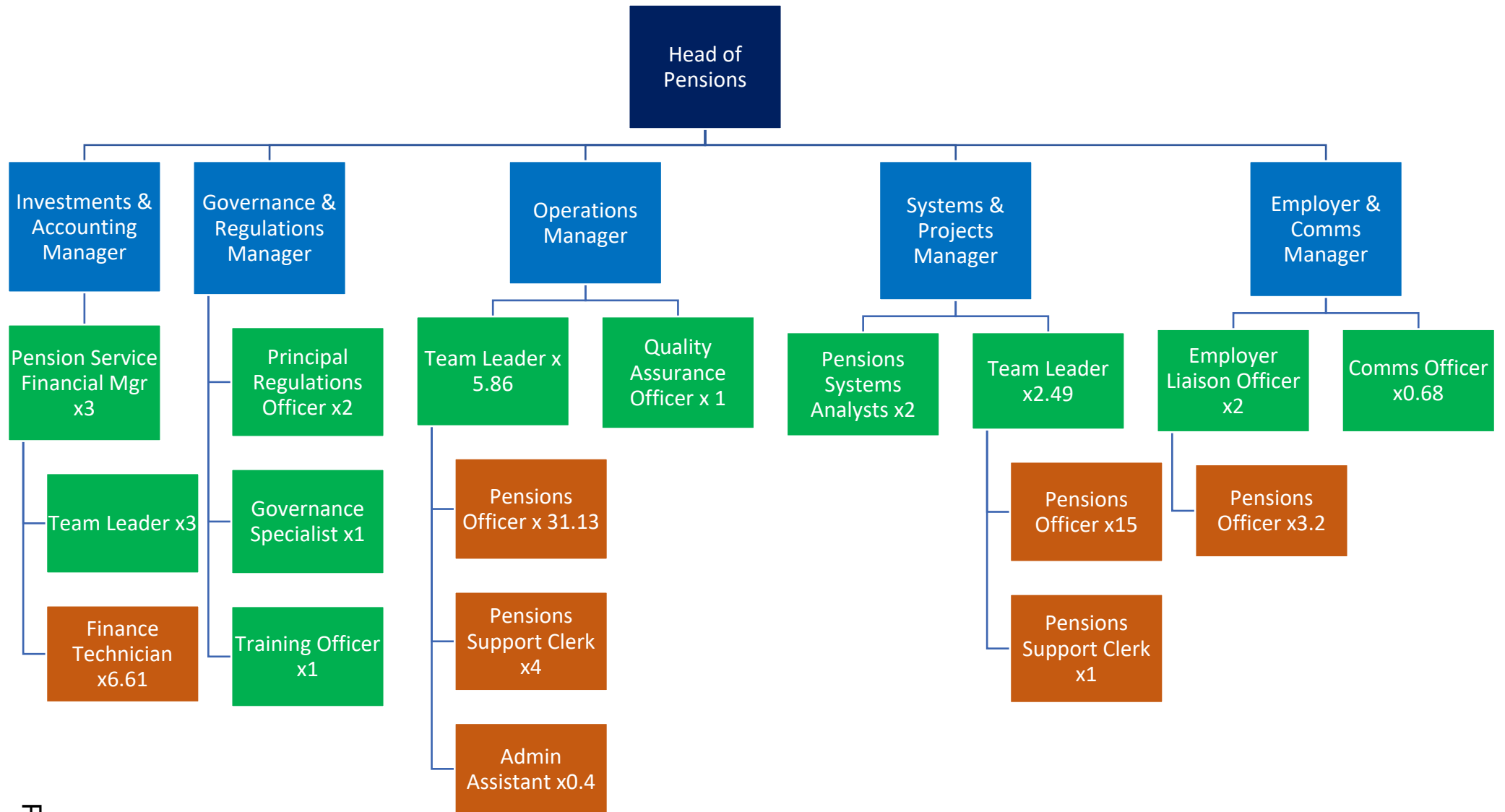
Communications

| Activity | Background | Key Milestones | Resources required |
|--|---|---|--|
| Continue with the development of the website | <p>Following review of the pension fund website and testing of recommended changes, a homepage and example content pages have been developed and comments received from the local pension board.</p> <p>The team will now finish the build of the website during quarter 1 of the scheme year and launch in quarter 2.</p> <p>Following the initial launch, satisfaction of the new website will be tested at the end of quarter 3.</p> | <p>Webpages to be drafted and approved for publication. (April to June 2024).</p> <p>Communicate planned website update to stakeholders (May to July 2024).</p> <p>Launch new website (July 2024).</p> <p>Review satisfaction with new website (December 2024).</p> | <p>No additional financial resource needed.</p> <p>Expenditure carried forward from the project with an original budget of £30k. All costs are therefore included within the staffing and administration budget.</p> |

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|--|---|---|--|
| <p>Review suitability of having multiple investment strategies</p> | <p>The Pension Fund Committee previously considered whether to introduce multiple investment strategies to provide greater flexibility to meet the different funding requirements of scheme employers.</p> <p>This was not previously implemented as modelling of a variety of “investment buckets” suggested no material improvement in funding outcomes, with increased downside risk.</p> <p>However, modelling did suggest that multiple investment strategies may provide improved outcomes if certain conditions were different, including if asset values were 20% greater than at the time of the modelling.</p> <p>Reconsideration is therefore proposed via a two-stage process, initially investigating whether the landscape has sufficiently changed to warrant further impact modelling and then a full impact review of the options.</p> | <p>Actuary to carry out initial assessment to determine if conditions have changed sufficiently to warrant further impact modelling (April 2024).</p> <p>Officers to consider results of initial assessment (May to June 2024).</p> <p>Officers to make recommendation to Committee (July 2024)</p> <p>If recommended and approved Fund officers to discuss scope of impact modelling and options to be considered (August to September 2024).</p> <p>Actuary to carry out impact modelling (October to December 2024).</p> <p>Officers to consider results of impact modelling (January 2024)</p> <p>Officers to present results and make recommendation to Committee for approval (March 2025).</p> | <p>Costs will be dependent on the scope of the review. If recommended by the Fund Actuary, the Committee will be asked to approve progress to the second stage of the review and will be provided with updated costs at that time.</p> <p>The cost of the previous impact modelling was £35,000.</p> |
|--|---|---|--|

| | | | |
|--|---|--|--|
| <p>Prepare for 2025 Fund Valuation</p> | <p>The date of the next triennial valuation of the Pension Fund is 31 March 2025 with results to be published by 31 March 2026 and new employer contribution rates effective from 1 April 2026. Officers will work with the Fund’s actuarial advisors to develop requirements and plan for the valuation.</p> <p>This will include a review of assumptions to be used for the valuation and preparation of early valuation results for large local authority employers.</p> | <p>Develop plan with Fund Actuary (April to June 2024).</p> <p>Undertake pre-valuation activities (July 2024 to March 2025).</p> <p>Valuation of the Pension Fund April 2025 to March 2026).</p> | <p>Required resources have been included in the administration budget for 2024/25. Associated costs have also been included in the draft budget for 2025/26.</p> |
|--|---|--|--|

Appendix A: Full Pensions Service structure



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Northamptonshire Pension Fund - Climate Action Plan

Calendar Year

Quarter 1 2022

| | |
|---|---|
| Agree decarbonisation pathway and targets that align the beliefs and ambitions of the Investment Sub Committee (ISC). The ISC agreed target reductions in absolute carbon emissions of the Fund's listed equity holdings of at least: <ul style="list-style-type: none">• 23% from June 2021 baseline by 2024• 57% from June 2021 baseline by 2030 | ✓ |
| Communicate agreed targets and aspirations to investment managers | ✓ |
| Instruct advisers to investigate high level approaches to climate aware passive equity investing | ✓ |
| Publish Climate Action Plan | ✓ |

Quarter 2/3 2022

| | |
|--|---|
| ISC receive training on strategic options to decarbonise the Pension Fund's active equity portfolio, including setting targets for existing managers and considering sustainable and impact equity and/or UN Sustainable Development Goals (SDG) alignment | ✓ |
| ISC receive report on high level climate aware passive equity options | ✓ |

Quarter 3/4 2022

| | |
|--|---|
| Receive implementable proposal on carbon aware passive equity portfolio | ✓ |
| Prepare and publish reporting in line with the Task-Force on Climate-Related Financial Disclosures (TCFD) disclosure requirements for the 2021-22 Fund annual report | ✓ |

2023

Quarter 1 2023

| | |
|---|---|
| Agree managers and portfolio structures for climate aware passive investing | ✓ |
| Analysis of climate metrics as at 30/06/22 | ✓ |

Quarter 2 2023

| | |
|--|---|
| Review progress against targets and appropriateness of metrics. | ✓ |
| Continue to engage with existing active equity managers around decarbonisation approaches - as required | ✓ |
| Engage with private asset managers to improve carbon data provision for portfolios and increased ESG integration | |
| Implement carbon aware passive equity in Q2 2023 | ✓ |
| ISC consider proposals for impact investing in private markets - Infrastructure | ✓ |

Quarter 3 2023

| | |
|--|---|
| Engage with ACCESS on sustainable/impact infrastructure managers (based on Committee preferences following Q2 2022 discussion) | ✓ |
|--|---|

Quarter 4 2023

| | |
|---|---|
| Analysis of climate metrics as at 30/06/23 | ✓ |
| ISC consider proposals for sustainable/impact investing in listed equity as part of equity portfolio review | |

2024

Quarter 1 2024

| | |
|--|--|
| ISC consider proposals for including asset classes beyond listed equity in climate reporting and target setting | |
| Consider setting more granular targets across: - Sustainable/Climate solutions - Transition alignment - Stewardship | |
| ISC receive report on availability of data and approach on alternatives assets | |
| ISC consider proposals for sustainable/impact investing in private markets (Private equity/property) | |
| Review progress against targets and appropriateness of metrics | |
| Consider draft UK Stewardship Report ahead of submission to FRC | |
| ISC consider feasibility of including Scope 3 within emissions reduction reporting and targets | |

Quarter 2 2024

| | |
|---|--|
| Use insights and recommendations to shape discussions and support climate change reporting (TCFD) - awaiting outcomes of consultation | |
| Consider potential connections to biodiversity/natural capital | |
| Submit approved UK Stewardship Report to FRC | |

Quarter 3 2024

| | |
|--|--|
| Continuation of the work with active managers to implement carbon reduction measures and increase the sustainability of the portfolios they manage | |
|--|--|

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West Northamptonshire Council

Local Pension Board

24/4/2024

Mark Whitby – Head of Pensions

| | |
|----------------------|---|
| Report Title | Governance and Compliance Report |
| Report Author | Michelle Oakensen Governance and Regulations Manager michelle.oakensen@westnorthants.gov.uk |

Approvers

| | | |
|-------------------------|-------------|------------|
| Head of Pensions | Mark Whitby | 26/03/2024 |
|-------------------------|-------------|------------|

List of Appendices

Appendix A Progress made against the Pension Regulators dashboard checklist

Appendix B Northamptonshire Pension Fund Training Plan

1. Purpose of Report

1.1 This is a standing report that identifies issues and developments relevant to West Northamptonshire Council’s management and administration of the Northamptonshire Pension Fund.

2. Executive Summary

2.1 This report provides the Board with information on the following significant current issues which have an impact on the governance, management and administration of the Northamptonshire Pension Fund.

- Pensions Dashboards (6.1-6.11)
- McCloud (6.12-6.14)
- Scheme Advisory Board (6.15-6.25)
- The Pensions Ombudsman (6.26-6.31)
- The Pensions Regulator (6.32-6.35)
- Skills and knowledge opportunities (6.36-6.39)

2.2 The report also provides details of immaterial amendments made to policies or strategies as a result of Officer reviews (6.40-6.43).

3. Recommendation

3.1 The Pension Local Pension Board is asked to note the Governance and Compliance Report.

4. Reasons for Recommendation

- To ensure adequate oversight of the issues impacting the Northamptonshire Pension Fund.
- To ensure that the Committee and Board are aware of government consultations and responses provided.
- To comply with the CIPFA Skills and Knowledge Framework.
- To ensure good governance and compliance with the Local Government Pension Scheme Regulations and other relevant legislation and guidance.

5. Report Background

- 5.1 This report provides an update on developments and issues that impact the LGPS that members of the Pension Board need to be aware of to fulfil their responsibilities to the Fund's key stakeholders.

6. Issues and Choices

Pensions Dashboards

Pension Dashboard Programme

- 6.1 The Department for Work and Pensions (DWP) has issued a written ministerial statement providing an update on the publication of connection guidance which includes the new staging timeline for connecting to pensions dashboards. The ministerial statement can be found [here](#) and the connection guidance [here](#) .
- 6.2 The statement explains that following the amended Pensions Dashboards Regulations 2023 and new connection deadline of 31 October 2026, the supporting guidance will detail when pension providers and schemes are expected to connect to dashboards, which will start from April 2025. The Pension Dashboards Regulations 2023 can be found [here](#) .
- 6.3 The timetable prioritises connection of the largest pension schemes and providers, so that crucial user testing can quickly take place at scale, with the first cohort expected to have completed connection by the end of April 2025. Whilst the timetable is not mandatory, it is a legal requirement that trustees, or managers of occupational pension schemes and providers of personal and stakeholder pensions have regard to this guidance.
- 6.4 The secretary of State for Work and Pensions published the guidance setting out a staged timetable for connection on 25 March 2024 confirming that all schemes and providers in scope are legally required to be connected to the pensions dashboards ecosystem and be ready to respond to requests for pensions information by 31 October 2026 at the latest.
- 6.5 All public service pension schemes need to connect by 31 October 2025 and the Northamptonshire Pension Fund will be working to this confirmed date.

The Pensions Regulator dashboard checklist

- 6.6 The Pensions Regulator has published a blog encouraging schemes to follow their dashboard checklist. The Northamptonshire Pension Fund is progressing well against the checklist and is included as Appendix A of the report.
- 6.7 Project plan activities based on the LGAs connection guide will be undertaken in the following areas in order to connect to the Pension Dashboard:
- Governance
 - Internal controls
 - Connection
 - Record keeping
 - Budget

- Resource
- Data

PASA dashboard guidance

- 6.8 The Pensions Administrations Standards Association (PASA) has published Pensions Dashboards Connection Ready Guidance and a 'Call to Action'.
- 6.9 The Connection Ready Guidance explains what being 'connection ready' means and what a typical scheme plan could look like. It covers five main areas: governance, matching, value data, technology and administration. For each area, it describes the key activities, how to do them, why they matter and how to show that they have been done.
- 6.10 The Call to Action lists the top five actions that schemes need to take now to prepare for dashboards and can be found [here](#).
- 6.11 PASA will release further supporting materials in the next few months, such as practical tips for certain connection ready activities, checklist of key actions and outlines of connection ready decisions.
- 6.12 The Pensions Dashboards Connection Ready Guidance can be found [here](#).

McCloud

McCloud implementation guidance consultation

- 6.13 Draft statutory guidance regarding the implementation of the McCloud in the LGPS has been circulated by DLUHC which sought views from of the Local Government Pensions Committee, members of the LGPS scheme advisory board, representatives of LGPS administrators, representatives of fund actuaries, and LGPS pensions administration software suppliers.
- 6.14 The aim of the document is to provide guidance on a number of areas that would benefit from additional guidance when implementing the remedy. The guidance is intended to support administering authorities by achieving a consistent application of the remedy and providing guidance on how technical issues should be approached.
- 6.15 The closing date for responses was 12 April 2024 and the Northamptonshire Pension Fund responded through the East Midlands Regional Group.

Scheme Advisory Board

SAB commissions report on the LGPS and Sharia law

- 6.16 In 2022, the Board received legal advice from Lydia Seymour (Counsel) on members opting out of the LGPS on the basis of their (principally Islamic) religious belief, and whether this might constitute unlawful discrimination. In order to give a definitive opinion, Counsel advised that she needed to understand better the basis of those beliefs and the extent to which they would be broadly shared across the Muslim community.
- 6.17 The Board commissioned Mufti Faraz Adam of Amanah Associates, an Islamic finance expert, to produce a report on Sharia law and the LGPS. The aim being to address any possible legal risk for scheme employers and to ensure the scheme is as inclusive as possible.
- 6.18 The report examines the issue from the starting point that the LGPS is an extension of the employer/employee contract. The report concludes that as a part of the contractual arrangement between employer and employees, Muslim employees can continue to contribute to, and benefit from, the excellent benefits offered by the LGPS.
- 6.19 In publishing the report, the Board made no claim of expertise on the matter of Sharia law and wishes to be clear that the report represents the views of the author and not the Board. More information can be found [here](#).

Annual Report Guidance

- 6.20 A workstream was established to review the 2019 guidance and identify changes required to streamline the current guidance and bring it up to date and draft guidance was approved by both the SAB's Compliance and Reporting Committee (CRC) and the Chartered Institute of Public Finance and Accountancy Public Finance Management Board in February 2024.
- 6.21 The guidance will apply to 2023/24 annual reports which are due for publication by 1 December 2024 and later years. It is acknowledged it may be a challenge to report on all the new requirements for the 2023/24 reporting year, as changes to the recording and reporting of data may take time to implement. The guidance says pension funds should use their best endeavours to comply fully with the requirements but exercise judgement where, because of changes to the previous content, to do so would require disproportionate effort or cost.

Funding Strategy Statement (FSS) Guidance

- 6.22 The annual report guidance is close to completion and the CRC has agreed its next priority will be to revise the FSS guidance. This was last updated in 2016 and the aim is to create content in relation to:
- setting up of academies on conversion
 - use of employer flexibilities and deferred debt arrangements
 - employer representations around asset strategies and partial terminations
 - treatment of exit debts and credits
 - consultation with employers.

Economic Activity of Public Bodies (Overseas Matters) Bill

- 6.23 Ahead of the second reading debate on the Bill in the House of Lords on 20 February 2024, the Local Government Association published a further briefing on the Economic Activity of Public Bodies (Overseas Matters) Bill. The briefing includes matters raised in previous briefings for the House of Commons and suggested some amendments that the LGA would support. The Bill can be found [here](#).

Gender Pensions Gap

- 6.24 The Gender Pensions Gap working group met for the third time on 13 February 2024. It continued to explore what practical actions can be taken to address the underlying issues contributing to the pensions gap identified by the Government Actuary's Department (GAD) in the SAB commissioned reports.
- 6.25 As part of the four actions explored by the group, the SAB secretariat and LGA Workforce team will put on a virtual event for local government human resources (HR) professionals on 9 May 2024. The aim of the event is to improve awareness amongst HR practitioners, discuss what best practice already exists amongst employers and encourage them to review the information and pension communications available for their staff at key life points.
- 6.26 There was also a post in the LGA's Workforce blog in March 2024 and the publication of a frequently asked questions document to support administering authorities and employers to ensure members are able to make informed choices about their pensions throughout their working career, during key life events.

The Pensions Ombudsman

Response to Court of Appeal ruling

- 6.27 TPO has expressed its disappointment about the recent Court of Appeal ruling that it is not a competent court for enforcing a dispute about a monetary obligation under section 91(6) of the Pensions Act 1995.
- 6.28 The ruling means that a TPO decision to allow recoupment / recovery from a pension is not enough to enforce it. The scheme also needs an order from a County Court.
- 6.29 The Department for Work and Pensions is supporting legislative changes to formally empower TPO to bring these disputes to an end without needing a County Court Order.
- 6.30 In the meantime, TPO has been working with stakeholders across the sector to review the management of such disputes to minimise the additional time and cost that has been added to the process. It has also published a recovery in overpayment cases factsheet to provide guidance to help schemes manage these disputes.
- 6.31 The response to the judgement can be found [here](#) and the overpayments cases factsheet can be found [here](#).

Interim chair of the Pensions Ombudsman appointed

- 6.32 DWP has appointed Anthony Arter as the Interim Chair of TPO. Anthony served as the Pensions Ombudsman for eight years until January 2023, followed by a period as the Deputy Pensions Ombudsman. He will serve as the Interim Chair until a permanent Chair is appointed.

The Pensions Regulator

General Code of Practice

- 6.33 On 10 January 2024, the Pensions Regulator responded to the 2021 consultation on the new code of practice which came into force on 27 March 2024. It replaces Code of Practice 14 for public service pension schemes and brings together ten previous TPR Codes into one code.
- 6.34 The SAB's Secretariat is studying the Code closely to identify any new requirements for administering authorities and how the Code's requirements align with items on the SAB workplan, such as the SAB's 2021 Good Governance recommendations.
- 6.35 TPR's research on governance and administration shows that the LGPS already has high standards of governance in place. The Code provides an opportunity for funds to review current practices, but also presents challenges during what is already a busy time for the LGPS. Clarity is required on which parts of the Code apply to the LGPS, what these mean for administering authorities and how they should be applied in practice. The SAB will support authorities in understanding any new requirements in the Code and, where needed, will produce new or update existing guidance to help authorities with their responsibilities.
- 6.36 The new code of practice can be found [here](#).

Skills and knowledge opportunities

- 6.37 The Public Services Pensions Act 2013 and the Pensions Regulator's Code of Practice (Governance and administration of public service pension schemes) require all members of the Pension Board to maintain the necessary skills and knowledge to undertake their role effectively.
- 6.38 In addition, in order to facilitate the acquisition of skills and knowledge for members of the Pension Board, appendix A lists the main events that are deemed useful and appropriate.

- 6.39 If members of the Pension Board would like to attend any of the events listed in appendix A, please contact a member of the Fund’s governance team who will make the necessary arrangements if an invitation has not already been sent.
- 6.40 The Training Strategy was approved at the July meeting of the Pension Committee and members have until 24 July 2024 to complete the mandatory training modules. Please find the Training Strategy [here](#).

Northamptonshire Pension Fund Policy/Strategy updates

- 6.41 In March 2023 the Pension Fund Committee agreed for all policies and strategies to be reviewed by the Committee on a three year cycle (unless stated otherwise) with Officer reviews to be conducted on an annual basis or as deemed necessary.
- 6.42 For the period the following non material amendments were applied:

| Policy/Strategy | Review reason | Amendments made |
|--|-------------------|--|
| Conflicts of Interest Policy | Annual review due | The approval, review and consultation section has been updated to reflect that annual Officer reviews will be conducted in addition to the three-year Committee review cycle. |
| Reporting breaches of the Law to the Pensions Regulator Policy | Annual review due | The General Code of Practice has been laid in Parliament and came into force 27 March 2024. As the reporting breaches of the law is a component of the Code, Officers will review in line with the new Code. No material changes are expected, and confirmation of the review will be reported to the Committee at the June meeting. |
| Risk Strategy | Annual review due | To review after March to align with the new General Code and to seek views on approach from our new governance advisors. As part of Local Pension Board discussions to also explore using an assurance mapping approach. |
| Cessations Policy | Annual review due | The review is slightly delayed whilst the outcome of the actuarial procurement was awaited. The results of the review will be reported to the Committee at the June meeting and to the Board at the July meeting. |

- 6.43 The amended Conflict of Interest Policy has been published to the website.
- 6.44 In addition the Cyber Hygiene Guidelines have also been reviewed in line with the relevant module in the new General Code and the Pension Regulators cyber security principles guidance. A copy will be circulated to all Committee and Board members.

7 Implications (including financial implications)

Resources and Financial

- 7.1 There are no resources or financial implications arising from the report.

Legal

- 7.2 There are no legal implications directly arising from this “for information” report. Any legal implications arising from the issues discussed will be identified and highlighted at the appropriate time.

Risk

- 7.3 The Constitution Section 4.8 para 1.3 states that the Pension Committee has “Authority to develop and maintain a skills and knowledge framework for all Pension Committee and Investment sub-committee members and for all officers of the Fund including;
- (i) Determining the Fund’s knowledge and skills framework;
 - (ii) Identifying training requirements;
 - (iii) Developing training plans; and
 - (iv) Monitoring attendance at training events.
- 7.4 This report ensures on-going compliance with the above and that the Pension Committee is up to date with:
- New or amending legislation affecting the LGPS;
 - Relevant activities of the LGPS Scheme Advisory Board and the Pensions Regulator that concern the governance of the (LGPS) on a national and local basis; and
 - Skills and knowledge opportunities.
- 7.5 The risks associated with the Pension Committee not having the required level of knowledge and understanding have been captured in the Fund’s risk register as detailed below.

| Risk | Residual risk rating |
|--|----------------------|
| Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively | Green |
| Failure to administer the scheme in line with regulations and guidance. | Green |
| Failure to provide relevant information to the Pension Fund Committee to enable informed decision making. | Green |

The Fund’s full risk register can be found on the Fund’s website at the following link:
[Northamptonshire Risk Register](#)

Relevant Pension Fund Objectives

- 7.6 The following objectives as per the Business Plan have been considered in this report –
- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
 - To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund’s stakeholders, particularly the scheme members and employers.
 - To ensure that the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
 - To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

Consultation

- 7.7 The Fund is kept updated with developments and consultations via various sources such as the Local Government Association, The Pensions Regulator and Scheme Advisory Board. No consultation was required for this report.

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Appendix A – The Pension Regulator’s preparing to connect checklist: Progress of the Northamptonshire Pension Fund

| Preparation checklist | Relevant guidance | Your status comments |
|---|---|---|
| Start now: general tasks | | |
| Establish pensions dashboards as a regular agenda item at board meetings. | Overview – your role and legal duties. | Completed – Delivered as part of the Governance and Compliance Report at each meeting of the Committee and Board. |
| Discuss pensions dashboards with your administrator and other relevant parties (such as software provider, actuary, legal adviser, employer, additional voluntary contribution provider). | Overview – working with advisers and providers. | Underway – software provider – a dashboard readiness report has been received providing detail on the accuracy of the “find” and “value” data. In Q1 2024/25 a data improvement plan will be produced to identify priorities and timescales, including results from the data matching reports if the procurement process is completed in time. AVC Providers – Exploring whether the AVC providers will display this information separately. |
| Explore your route to connection – either building own interface or using a (new or existing) third-party solution. | Connecting to pensions dashboards – choosing a digital interface. | Discussions underway with pensions administration software supplier to procure their ISP services and data matching reports. |
| If required, appoint new suppliers or revise contracts for existing suppliers. | Connecting to pensions dashboards – choosing a digital interface. | See above. |
| Start now: data tasks | | |
| Understand what personal data you will receive from the digital architecture to help you match members to their pensions. | Matching people with their pensions. | A dashboard readiness report has been received providing detail on the accuracy of the “find” and “value” data. By Q1 2024/25 a data improvement plan will be produced to identify priorities and timescales, including results from the data matching reports if the procurement process is completed in time. |

Appendix A – The Pension Regulator’s preparing to connect checklist: Progress of the Northamptonshire Pension Fund

| | | |
|---|--------------------------------------|---|
| Assess the quality and digital accessibility of personal data in your records. | Matching people with their pensions. | Pending procurement of data matching reports. |
| Consider which data items you will use to confirm matches are made or that there are possible matches. | Matching people with their pensions. | Following production of the data improvement plan in Q1 2024/25. |
| Where your member personal data needs improving, put plans in place to deliver the improvements. | Matching people with their pensions. | A dashboard readiness report has been received providing detail on the accuracy of the “find” and “value” data. During Q1 2024/25 a data improvement plan will be produced to identify priorities and timescales, including results from the data matching reports if the procurement process is completed in time. |
| Understand what data you will need to return to members and by when. | Information to provide to members. | We have started to review the data standards - View data Pensions Dashboards Programme . |
| Assess the quality and digital accessibility of the data that will be provided to your members. | Information to provide to members. | |
| Preparation checklist | Relevant guidance | Your status comments |
| Consider how you will calculate the value data so that it is provided in line with dashboard requirements – calculated in line with ASTM1 or scheme rules, and sufficiently recent. | Information to provide to members. | We expect to use the most up to date data from the members Annual Benefit Statements. |
| Where value data is not in line with dashboard requirements, put plans in place to ensure you can meet your dashboard duties. | Information to provide to members. | We expect our data to be in line with the requirements of the dashboards. |
| Ongoing actions | | |
| Stay up to date with developments to the regulations, Money and Pensions Service standards and our guidance. | Stay in touch with developments. | |

Appendix A – The Pension Regulator’s preparing to connect checklist: Progress of the Northamptonshire Pension Fund

| | | |
|--|---|--|
| Check that your team and suppliers are on track to deliver. | Overview – working with advisers and providers. | |
| Record key decisions and progress as per your existing governance processes. | Ongoing connection and record-keeping requirements. | |
| Review and update your Data Protection Impact Assessment (DPIA) in line with your data improvement plan. | Matching people with their pensions – preparing your data for matching. | |

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Northamptonshire Pension Fund

Appendix B

Training plan 2024

| Date | Training | Method of delivery | Delivered by | Target audience | Additional Information |
|------------------|---|---------------------------|---|-----------------------------|---|
| JANUARY | Governance Conference | Conference – hybrid | Local Government Association (LGA) | Committee, Board & Officer | 18-19 January 2024 (online/York) |
| FEBRUARY | | | | | |
| MARCH | LGC Investment Seminar | Conference | Local Government Chronicle (LGC) | Committee, Board & Officers | 14-15 March 2024 LGC Investment Seminar 2024 (lgcplus.com) |
| APRIL | | | | | |
| MAY | | | | | |
| JUNE | Local Authority Conference 2024 | Conference – face to face | Pension and Lifetime Savings Association (PLSA) | Committee, Board & Officer | 11-13 June 2024 Local Authority Conference PLSA |
| | ACCESS Investor Day | | Waystone | | 26 June (1 Wimpole Street, London) |
| JULY | Equality, Diversity and Inclusion (EDI) | TBC | TBC | Committee, Board & Officers | TBC |
| AUGUST | | | | | |
| SEPTEMBER | Investment and Pensions Summit | Conference – face to face | Local Government Chronicle (LGC) | Committee, Board & Officer | 12-13 September (at the Eastside Rooms, Birmingham) |
| OCTOBER | | | | | |
| NOVEMBER | ACCESS Investor Day | TBC | Waystone | Committee & Officer | TBC |

Northamptonshire Pension Fund

Appendix B

| Date | Training | Method of delivery | Delivered by | Target audience | Additional Information |
|-----------------|------------------------|--------------------|--|----------------------------|------------------------|
| | | | | | |
| DECEMBER | Annual Conference 2024 | TBC | Local Authority Pension Fund Forum (LAPFF) | Committee, Board & Officer | TBC |



West Northamptonshire Council

Local Pension Board

24/04/2024

Mark Whitby – Head of Pensions

| | |
|----------------------|---|
| Report Title | 2024/2025 Northamptonshire Pension Fund Communications Plan |
| Report Author | Sharon Grimshaw Communications Officer sharon.grimshaw@westnorthants.gov.uk |

Approvers

| | | |
|-------------------------|-------------|------------|
| Head of Pensions | Mark Whitby | 28/03/2024 |
|-------------------------|-------------|------------|

List of Appendices

Appendix 1 – Northamptonshire Pension Fund communications plan

1. Purpose of report

1.1 To present the Funds Communication Plan to the Local Pension Board for post-scrutiny.

2. Executive summary

2.1 The communications plan outlines our activities monthly for each stakeholder group and was approved by the Pensions Committee at its last meeting and is being presented to the Board for post-scrutiny.

2.2 As well as sending out statutory communications planned newsletters, surveys, employer training and web updates it also highlights other key communications initiatives.

3. Recommendations

3.1 The Local Pension Board is asked to note the Communications Plan.

4. Reason for Recommendations

4.1 To ensure the Local Pension Board is aware of planned communications for the Scheme year and has an opportunity to comment on planned activities.

5. Report background

- 5.1 Regulation 61 of the LGPS regulations 2013 states that an administering authority must prepare, maintain and publish a written statement setting out its policy on communications with members and employers.
- 5.2 The communications plan for 2024/25 details the communications activities within the scheme year and can be found in appendix 1.

6. Issues and choices

- 6.1 The communications plan outlines our activities for the year, monthly, for each of our stakeholders.
- 6.2 Q1 will mainly be focussed on the development of our new website. We're aiming to launch the website in Q2 which will tie in with our annual benefit communications and our employers' forum. We'll also use the forum to consult on our new administration strategy.
- 6.3 In Q3 we'll focus on embedding our new brand guidelines and making sure that as a service we're:
- using plain language
 - writing inclusively
 - engaging our audience.
- 6.4 In Q4 our focus will be on launching the enhanced member self-service portal to increase member engagement. This is subject to some improvements being made to the service.
- 6.4 Our communications plan also highlights our intention to promote campaigns like:
- pensions awareness week
 - pension attention campaign
 - national pension tracing day
- and to work with the LGA on initiatives like new starter engagement and midlife MOTs.
- 6.5 The plan also includes timings for:
- statutory communications
 - cyclical newsletters
 - surveys
 - employer training.

7. Implications (including financial implications)

Resources and Financial

- 7.1 There are no direct finance and resourcing implications of this plan. Ongoing communication costs are picked up in the administration budget. Our new website and enhanced member self service portal have been budgeted for within the business plan.
- 7.2 Our drive to increase electronic communications should save costs in the long term.

Legal

- 7.3 Not applicable.

Risk

- 7.4 We're required by legislation to prepare, maintain, and publish a written statement setting out our policy on communications with members and employers.

The mitigated risks associated with this report have been captured in our risk register below:

| Risk No. | Risk | Residual risk rating |
|----------|--|----------------------|
| 7 | Information may not be provided to stakeholders as required. | Green |
| 17 | Failure to administer the scheme in line with regulations and guidance | Green |

Our full risk register can be found on our [website](#).

Relevant Pension Fund objectives

7.5 The following objectives have been considered in this report:

- To promote the scheme as a valuable benefit.
- To deliver accessible communications to stakeholders.
- To give members up to date information about the scheme so they can make informed decisions about their benefits.
- To get regular feedback from all stakeholders to help us to shape our administration.

Consultation

7.6 Not applicable.

8. Background papers

8.1 [Communications strategy](#)

Communications plan 2024/25

| Month | Active members | Scheme employers | Prospective members | Deferred members | Retired & dependant members | Fund staff |
|------------|---|---|--|---|--|--|
| APR | <ul style="list-style-type: none"> Member satisfaction survey | | | <ul style="list-style-type: none"> Member satisfaction survey | <ul style="list-style-type: none"> Payslip – online pension promotion Member satisfaction survey | <ul style="list-style-type: none"> Website user testing |
| MAY | <ul style="list-style-type: none"> Member satisfaction survey Website user testing | <ul style="list-style-type: none"> Employer training Employer newsletter Website user testing | <ul style="list-style-type: none"> Website user testing | <ul style="list-style-type: none"> Member satisfaction survey Website user testing | <ul style="list-style-type: none"> Payslip – online pension promotion Member satisfaction survey Website user testing | <ul style="list-style-type: none"> Website user testing |
| JUN | <ul style="list-style-type: none"> Member satisfaction survey | <ul style="list-style-type: none"> Employer training | | <ul style="list-style-type: none"> Member satisfaction survey | <ul style="list-style-type: none"> Member satisfaction survey Website user testing | <ul style="list-style-type: none"> Staff newsletter Website user testing |
| JUL | <ul style="list-style-type: none"> Website launch Online pension promotion Member satisfaction survey | <ul style="list-style-type: none"> Employer forum <ul style="list-style-type: none"> Admin strategy consultation Website launch Employer training Online pension promotion pack | <ul style="list-style-type: none"> Website launch Online pension promotion | <ul style="list-style-type: none"> Annual benefit statements Member newsletter <ul style="list-style-type: none"> Website launch Pensions dashboards Anti-fraud communication Online pension promotion Member satisfaction survey | <ul style="list-style-type: none"> Member satisfaction survey | <ul style="list-style-type: none"> Website launch |
| AUG | <ul style="list-style-type: none"> Annual benefit statements Member newsletter <ul style="list-style-type: none"> Website launch Pensions dashboards Anti-fraud communication Online pension promotion Member satisfaction survey | <ul style="list-style-type: none"> Active annual benefit statement comms materials for employers | <ul style="list-style-type: none"> Online pension promotion | <ul style="list-style-type: none"> Member satisfaction survey | <ul style="list-style-type: none"> Member satisfaction survey | |



| Month | Active members | Scheme employers | Prospective members | Deferred members | Retired & dependant members | Fund staff |
|-------------|---|--|--|---|--|---|
| SEPT | <ul style="list-style-type: none"> • New website promotion • Pensions awareness week / pension attention campaign • Online pension promotion • Member satisfaction survey | <ul style="list-style-type: none"> • Employer training • Employer newsletter • New website promotion • Pensions awareness week/ pension attention campaign | <ul style="list-style-type: none"> • New website promotion • Pensions awareness campaign • Online pension promotion | <ul style="list-style-type: none"> • New website promotion • Pensions awareness week / pension attention campaign • Online pension promotion • Member satisfaction survey | <ul style="list-style-type: none"> • New website promotion • Member satisfaction survey | <ul style="list-style-type: none"> • Staff newsletter • New website promotion • Embedding new brand guidelines |
| OCT | <ul style="list-style-type: none"> • National pension tracing day • Member satisfaction survey | <ul style="list-style-type: none"> • Employer training • National pension tracing day | <ul style="list-style-type: none"> • National pension tracing day | <ul style="list-style-type: none"> • National pension tracing day • Member satisfaction survey | <ul style="list-style-type: none"> • Member satisfaction survey | <ul style="list-style-type: none"> • Embedding new brand guidelines |
| NOV | <ul style="list-style-type: none"> • Member satisfaction survey • New starter engagement | <ul style="list-style-type: none"> • Employer training • New starter video/bitesize training • Pre-valuation comms | | <ul style="list-style-type: none"> • Member satisfaction survey | <ul style="list-style-type: none"> • Member satisfaction survey | <ul style="list-style-type: none"> • Embedding new brand guidelines |
| DEC | <ul style="list-style-type: none"> • Member satisfaction survey • Website feedback | <ul style="list-style-type: none"> • Employer newsletter • Website feedback | <ul style="list-style-type: none"> • Website feedback | <ul style="list-style-type: none"> • Member satisfaction survey • Website feedback | <ul style="list-style-type: none"> • Member satisfaction survey • Website feedback | <ul style="list-style-type: none"> • Staff newsletter • Embedding new brand guidelines |
| JAN | <ul style="list-style-type: none"> • Member satisfaction survey • Enhanced member self-service portal | <ul style="list-style-type: none"> • Employer training • Enhanced member self-service portal | <ul style="list-style-type: none"> • Enhanced member self-service portal | <ul style="list-style-type: none"> • Member satisfaction survey • Enhanced member self-service portal | <ul style="list-style-type: none"> • Member satisfaction survey • Enhanced member self-service portal | <ul style="list-style-type: none"> • Enhanced member self-service portal |
| FEB | <ul style="list-style-type: none"> • Member satisfaction survey | <ul style="list-style-type: none"> • Employer training • Employer Forum <ul style="list-style-type: none"> ▪ Valuation launch | | <ul style="list-style-type: none"> • Member satisfaction survey | <ul style="list-style-type: none"> • Member newsletter <ul style="list-style-type: none"> ▪ Website launch ▪ Pensions dashboards ▪ Anti-fraud communication ▪ Online pension promotion • Member satisfaction survey | |
| MAR | <ul style="list-style-type: none"> • Member satisfaction survey • Midlife MOTs promotion | <ul style="list-style-type: none"> • Employer newsletter <ul style="list-style-type: none"> ▪ Pensions dashboards ▪ New contribution rates • Midlife MOTs promotion | <ul style="list-style-type: none"> • Midlife MOTs promotion | <ul style="list-style-type: none"> • Member satisfaction survey • Midlife MOTs promotion | <ul style="list-style-type: none"> • Payslip – online pension promotion • Member satisfaction survey | <ul style="list-style-type: none"> • Staff newsletter |

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West Northamptonshire Council

Local Pension Board

24/4/2024

Mark Whitby – Head of Pensions

| | |
|----------------------|--|
| Report Title | Northamptonshire Pension Fund – Equality, Diversity and Inclusion (EDI) approach |
| Report Author | Michelle Oakensen Governance and Regulations Manager michelle.oakensen@westnorthants.gov.uk |

Approvers

| | | |
|-------------------------|-------------|------------|
| Head of Pensions | Mark Whitby | 25/03/2024 |
|-------------------------|-------------|------------|

List of Appendices

Appendix A – Equality, Diversity and Inclusion (EDI) Action Plan

1. Purpose of Report

- 1.1 To present to the Pension Board a report on the planned approach to Equality, Diversity and Inclusion (EDI) within the Northamptonshire Pension Fund.

2. Executive Summary

- 2.1 This report sets out the requirements set out by the Pensions Regulator (TPR) and the approach that the Northamptonshire Pension Fund will undertake in order to comply with the principles.
- 2.2 The report provides an explanation of EDI and why this is important for the Fund to adhere to a best practice approach.
- 2.3 Appendix A contains the proposed actions to achieve compliance with TPR EDI guidance.

3. Recommendations

- 3.1 The Pension Board is asked to review the proposed EDI actions located in appendix A.

4. Report Background

- 4.1 The Pensions Regulator issued guidance in March 2023 on Equality, Diversity and Inclusion, which outlined principles for how scheme managers should approach EDI issues, and practical ideas about how to implement them.

- 4.2 The TPR's EDI guidance covers areas such as the role of the chair, performance assessment, inclusive culture, recruitment and diversity of thought but also links to investment decisions and communications issued by the fund.
- 4.3 In January 2024 the Pensions Regulator published the new General Code which brings further focus onto EDI issues.

5. Issues and Choices

What is equality, diversity, and inclusion?

Equality

- 5.1 Equality is about ensuring that every individual has an equal opportunity to make the most of their lives and talents. No one should have poorer life chances because of the way they were born, where they come from, what they believe, or whether they have a disability. Historically certain groups of people with protected characteristics such as race, disability, sex and sexual orientation have experienced discrimination according to the Equality and Human Rights Commission.

Diversity

- 5.2 There can be many 'forms' of diversity, which capture a wide variety of individual differences, that may not be immediately apparent when we first meet someone.
- 5.3 In the UK, it is illegal to discriminate against someone on the basis of certain 'diverse' characteristics. The Equality Act 2010 prohibits less favourable treatment on the basis of nine protected characteristics (Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion or Belief, Sex, Sexual Orientation).
- 5.4 Neurodiversity, socio-economic background and many forms of disability including mental health conditions are also encompassed when considering diversity.

Inclusion

- 5.5 Inclusion occurs when a group actively enables all of its members to fully participate, irrespective of their individual characteristics. Inclusion is positively embracing differences to create a group where different perspectives and opinions are valued and encouraged.
- 5.6 Equality, diversity and inclusion are interlinked and although having people with different life experience might mean that a governing body is more diverse, in reality if those individuals are not respected or heard, the governing body would not benefit from the experiences of those individuals.

Why EDI is important for the Fund.

- 5.7 There has been a steady increase in membership within the Northamptonshire Pension Fund and EDI considerations are importantly becoming good practice to ensure Funds are administered in a way that works for everyone.
- 5.8 A diverse and inclusive Committee and Board with a broad range of characteristics, life experiences, expertise and skills will lead to:
- Wider discussion encouraging new thinking and approaches.
 - More effective decision making that reflects members needs and values.
 - Improved value for money for members.
 - Deeper understanding of issues that have a real influence on members incomes.

- Better decision making that impacts quality of life for a wide range of individuals.
- Greater understanding, insight and empathy for scheme beneficiaries (such as discretionary death benefits and ill health decisions).
- Improved communications with scheme members.

5.9 The Pension's and Lifetime Savings Association guidance identifies that artificial intelligence based research into the performance of heterogenous versus homogenous groups has shown that diverse groups are better at:

- Paying attention to the key facts and assessing relevant evidence.
- Reasoning.
- Reaching the 'best conclusion'.
- Explaining their decisions.

These skills are highly desirable for members seeking to discharge legal duties and provide the best outcome for members.

5.10 Committee and Board members will likely possess some or all of these characteristics, but one of the key requirements with decision-making is the ability to take account of relevant factors and disregard irrelevant factors so as not to reach a perverse or irrational conclusion.

The Northamptonshire Pension Fund EDI action plan

The governing body

5.11 As per the Pensions Regulator governing bodies EDI guidance, having a diverse and inclusive Committee/Board can be broken down into actions associated with recruiting diverse representation, and actions aimed at the retention and continuous development of existing members.

5.12 The action plan located in appendix A, includes the planned approach for implementing diversity and inclusion within Northamptonshire Pension Fund recruitment and selection processes for members.

5.13 The first key area to consider will be training for Committee and Board members as well as Officers to ensure the right level of understanding is embedded before any further decisions are made.

5.14 Recognising there will be some barriers to EDI, such as requirements for membership to include individuals from certain cohorts and not attracting interest from a diverse group of candidates but it is the intention of the Northamptonshire Pension to apply best practice where applicable.

Wider EDI activities

5.15 Building upon the Pension Regulators expectations, the Northamptonshire Pension Fund in conjunction with Aon have identified additional activities to enhance the EDI approach of the Fund in other areas to ensure best practice where viable. The action plan therefore also includes activities for member communications, investment decisions and managing advisors and suppliers.

Next Steps

5.16 Upon confirmation that the Board are content with the Northamptonshire Pension Fund approach to EDI, the next stage will be to review the training requirements for the Committee, Board and Officers of the Fund. The agreed action plan will be presented to the Pension Committee in June. Further updates will be provided via the Business Plan Update reports.

6 Implications (including financial implications)

Resources and Financial

6.1 Officers worked in conjunction with Aon to produce the action plan.

Legal

6.2 There are no legal implications arising from the proposals.

Risk

6.3 There is a risk that the Fund does not have a diverse membership which could impact effective governance. There is also the risk that the Fund is not engaging with as many members/stakeholders as it could be to provide valuable scheme information.

6.4 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below –

| Risk | Residual risk rating |
|---|----------------------|
| Information may not be provided to stakeholders as required. | Green |
| Those charged with governance are unable to fulfil their responsibilities effectively | Green |
| Failure to act appropriately upon expert advice and/or risk of poor advice. | Green |

6.5 The executive summary can be found on the Fund's website at the following link:

[Northamptonshire Risk Register](#)

Relevant Pension Fund Objectives

6.6 The following objectives as per the Business Plan have been considered in this report -

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
- To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- To continually monitor and measure clearly articulated objectives through business planning.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- To administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.
- To promote the scheme as a valuable benefit.
- To deliver accessible communications to stakeholders.
- To provide scheme members with up-to-date information about the scheme in order that they can make informed decisions about their benefits.

- To seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.

Consultation

6.7 No consultation has been required arising from the proposals within this report.

7. Background papers

7.1 PLSA Diversity and Inclusion guide - [Diversity-and-Inclusion-Made-Simple.pdf \(plsa.co.uk\)](#)
TPR EDI overview [EDI overview | The Pensions Regulator](#)

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Equality, Diversity and Inclusion (EDI) Action Plan for 2024/25



West
Northamptonshire
Council



Cambridgeshire
County Council

Administered in partnership

Equality, Diversity and Inclusion (EDI) action log for 2024/25

Background and further information

In developing this EDI action log for the Northamptonshire Pension Fund (NPF) we are mindful of the requirements of the [Pension Regulator's \(TPR's\) Equality and Diversity Guidance](#) issued in March 2023 including '[Governing bodies: EDI Guidance](#)' and '[Employers: EDI Guidance](#)'. That guidance outlines principles for how scheme managers (i.e., the Administering Authority) and local pension board members should approach EDI issues, and practical ideas about how to implement them. The TPR's EDI guidance covers areas including the role of the chair, performance assessment, inclusive culture, recruitment and diversity of thought but EDI also links into investments (Environmental, Social and Governance aspects) and communications issued by the fund so is a broad area.

The publication of the new [TPR General Code](#) in January 2024 brings further focus onto EDI issues, for example in the Role of the Governing Body module it states "As far as possible, the governing body should be well-balanced and diverse, with its members demonstrating varied skills, knowledge and experience", and in the Recruitment and Appointment to the Governing Body module it set out that "It is important to regularly review the governing body's membership to ensure a diverse spread of members with varied technical skills and experience".

In addition, there are a number of relevant documents which West Northamptonshire Council (as the Administering Authority) that are relevant when considering EDI requirements as well as some Fund strategies that have an EDI perspective including:

- West Northamptonshire Council's Equality Impact Assessments (EqIAs)
- West Northamptonshire Council's Equality Policy and Strategy
- Northamptonshire Pension Fund's [Communications Strategy](#) (Equality and accessibility)



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2024/25 Action Plan

| Area | NPF Action | Timeline |
|--|--|--|
| <p>Training</p> <ul style="list-style-type: none"> - Support Pension Fund Committee, Investment Sub-Committee and Local Pension Board Members and Fund Officers to build and develop their EDI knowledge and understanding through regular training. | <ol style="list-style-type: none"> 1. Introductory EDI training for all Pension Fund Committee/Investment Sub Committee members, Local Pension Board members. 2. Fund Officer training – identify what Administering Authority provide Officers. 3. Identify what additional training requirements (specific to the Fund) are needed for Officers (e.g., supplement with relevant training from item 1 above where required). 4. Identify approach to EDI training going forward in terms of how often to add to training plan and also consider what information needs to be added to induction training plans. | <ol style="list-style-type: none"> 1. Introductory training – as soon as viable 2. Review Officer training activity April 2024 3. May 2024 4. To align with next Training Strategy review. |
| <p>Fund documentation – EDI specific</p> <ul style="list-style-type: none"> - EDI definition. - EDI principles leading to EDI objectives. - Incorporating those objectives in a Fund-specific EDI policy. | <ol style="list-style-type: none"> 1. Agree a definition of EDI for NPF 2. Devise a list of EDI principles for NPF 3. Build EDI principles into EDI objectives for a Fund-specific EDI Policy 4. Determine timeline to develop a Fund-specific EDI Policy | <ol style="list-style-type: none"> 1. As soon as viable following EDI training. 2. <i>TBC</i> 3. <i>TBC</i> 4. <i>TBC</i> |

| Area | NPF Action | Timeline |
|---|---|--|
| <p>Fund documentation – review to ensure aligns with EDI approach</p> <ul style="list-style-type: none"> - Terms of Reference for Committees and Board (e.g., consider appointment decision makers/any appointment panel role, terms of office, reappointments etc with EDI lens). - Communications Strategy and Communication Plan (e.g., consider EDI requirements are being embedded in Fund’s communication approach). - Administering Authority Discretions Policy (e.g., considering EDI definition/principles aligns with Fund approach to making discretionary decisions). - Investment Strategy Statement (ISS) and RI Beliefs (i.e., considering EDI definition/principles aligns with Fund ISS and RI beliefs). | <ol style="list-style-type: none"> 1. Review Terms of references in line with EDI principles and determine if review needed ahead of regular review cycle. 2. Review Communication Strategy and Communication Plan against EDI principles. 3. Review Discretions Policy against EDI principles. 4. Review ISS/RI beliefs against EDI principles. | <ol style="list-style-type: none"> 1. September 2024 2. October – December 2024 (or against scheduled review timeline). 3. December 2024 to March 2025. 4. In line with scheduled ISS review timeline. |
| <p>Fund appointments</p> <ul style="list-style-type: none"> - Encourage and maintain a diverse and inclusive Pension Fund Committee, Investment Sub-Committee and Local Pension Board, though open recruitment and removal of barriers to become a member of these Committees and Board. - Consider EDI from a Fund perspective when recruiting Officers. | <ol style="list-style-type: none"> 1. Regularly review the Committees and Board membership to ensure a diverse spread of members with varied skills and experience by including questions on EDI in effectiveness reviews or training needs assessments carried out for Committees and Board. 2. Consider whether EDI is embedded within WNC processes and training. | <ol style="list-style-type: none"> 1. Determine review schedule across July to September 2024. 2. April to July 2024. |

| | | |
|--|---|--|
| <p>Role of the Chair</p> <ul style="list-style-type: none"> - Be able to demonstrate elements of skills in debating, challenging, and negotiating with a particular ability to gather and understand diverse views. | <ol style="list-style-type: none"> 1. Consider additional training for Chair. 2. Consider any relevant requirements that might need to be reflected in Terms of Reference (aligns with review above). | <ol style="list-style-type: none"> 1. July to September 2024 2. September 2024. |
| <p>Member communications</p> <ul style="list-style-type: none"> - Encourage member engagement through the development of inclusive communications. - Where possible, ensure that web content follows Web Content Accessibility Guidelines (WCAG) 2.1. - Obtain and review feedback from scheme members and scheme employers on Fund communication. | <ol style="list-style-type: none"> 1. Regularly test communications against a scheme specific definition of EDI (and aligns with review of Strategy and Plan above). 2. Check alignment with web requirements. 3. Asking members and employers for their views on how the fund reflects its EDI values in the communications we provide to them. | <ol style="list-style-type: none"> 1. <i>TBC</i> 2. In line with the website build. 3. <i>TBC</i> |
| <p>Investment decisions</p> <ul style="list-style-type: none"> - Consider Environmental, Social and Governance aspects of investment decisions. - Awareness of diversity and inclusion good practice such as if scheme investments are aligned with member's responsible investment preferences or religious beliefs. | <ol style="list-style-type: none"> 1. Report against the principles of the UK Stewardship Code (Principle 2; explain governance and workforce resourcing) 2. Consider collecting member views on responsible investment issues. 3. Review AVC offerings periodically. | <ol style="list-style-type: none"> 1. September 2024 2. <i>TBC</i> 3. Undertaken in 2023/24 |
| <p>Managing advisers and suppliers</p> <ul style="list-style-type: none"> - Consider the EDI policies of advisers and other third parties the Fund work with | <ol style="list-style-type: none"> 1. Further engagement with LGPS pool (ACCESS) and asset managers. 2. Include questions on EDI for potential suppliers in procurement processes. | <ol style="list-style-type: none"> 1. Ongoing 2. Ongoing |

Next steps

As part of our EDI journey the Fund aims to build a culture where:

- There is an open environment for free discussion between Committee/Board members and Officers without judgement and encourage contribution to discussions regardless of level of expertise
- We actively consider decisions made by all with responsibility of the management of the Fund through a diversity and inclusion lens
- We understand and mitigate unconscious bias in decision making through training and other methods, and
- Where we remove any barriers from practices where possible, that prevent inclusivity.

The Fund's Governance & Regulations Manager together with the Pension Fund Committee and Pension Board will take forward the actions in this plan ensuring timelines and aspects are updated in line with ongoing developments.

Further information

If you require further information about anything included or related to this action plan, please contact:

Mark Whitby, Head of Pensions

mark.whitby@westnorthants.gov.uk



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West Northamptonshire Council

Pension Fund Board

24/4/2024

Mark Whitby – Head of Pensions

| | |
|---------------|--|
| Report Title | Northamptonshire Pension Fund – Cashflow Projections Report |
| Report Author | Cory Blose Employer Services and Communications Manager cory.blose@westnorthants.gov.uk |

Contributors/Checkers/Approvers

| | | |
|------------------|-------------|------------|
| Head of Pensions | Mark Whitby | 22/03/2024 |
|------------------|-------------|------------|

List of Appendices

Appendix A – Cashflow projections report

1. Purpose of Report

- 1.1 To present to the Pension Board a summary of the Cashflow projections report produced by the Fund's Actuary

2. Executive Summary

- 2.1 This report provides a summary of a report by the Fund Actuary on the results of recent cashflow projections modelling.
- 2.2 A full report has been provided by the Fund Actuary and is included as appendix A to this report. The Actuary summarised the report at the last meeting of the Pension Committee.
- 2.3 The report considers the expected value of member and employer contributions paid into the Fund against the value of benefit payments paid out of the Fund.
- 2.4 When the value of contributions received exceeds the value of benefit payments, the Fund has a positive cashflow position and is able to pay benefits as they fall due from the income received from the contributions.

- 2.5 When the value of contributions received is less than the value of benefit payments, the Fund has a negative cashflow position and will need to draw on the Fund's invested assets to meet benefit payments as they fall due, either by using the income generated by the Fund assets or by selling Fund assets.
- 2.6 A negative cashflow position is not an issue as long as it is monitored and planned for. Fund assets have been building up for the purpose of paying benefits but if the position is not monitored and managed effectively, the Fund could be forced to sell assets at an inopportune time.
- 2.7 By monitoring when the Fund can expect to become cash flow negative allows for a planned and managed sale of assets.
- 2.8 The Fund's cashflow position is sensitive to inflation due to members benefits being index linked with the revaluation of benefits and pension increases being linked to CPI.
- 2.9 The report considers the potential net cashflow position of the Fund across three possible inflation scenarios. A baseline scenario representing consensus forecasts for future inflation based on current market data as well as a scenario assuming a recession (with low inflation) and a high inflation scenario.
- Baseline scenario: The Fund is expected to become cashflow negative by 2029.
 - Recession: The Fund is expected to remain broadly cashflow neutral over the short and medium term.
 - High Inflation: The Fund is expected to become cashflow negative over the next few years.

3. Recommendation

- 3.1 The Pension Board is asked to note the contents of the report

4. Reason for Recommendations

- To ensure a planned transition to a negative cash flow position, ensuring the Fund has adequate income generating assets and avoiding the need to sell assets at less opportune times.

5. Report Background

- 5.1 The Pension Fund collects contributions from members and employers on a monthly basis. These contributions are used to pay benefits already due with any excess being invested to build up assets which can be used to pay benefits as they fall due in the future.
- 5.2 As a pension fund matures the value of benefit payments will start to exceed the income from contributions. At this point the fund is considered to be cashflow negative.
- 5.3 As long as this transition is monitored and managed effectively, being cashflow negative is not a problem. The assets have been built up for this purpose but if not managed effectively it could pose a liquidity risk and the Fund may become a forced seller of assets and may not get the desired return on its investments.
- 5.4 Knowing when the Fund is likely to be cash flow negative is helpful in the development of the Fund's funding and investment strategies helping to ensure that the Fund:
- has enough cash available to pay benefits to members
 - can maintain stable employer contribution strategies over time and withstand market volatility
 - understands the amount of cash balance that needs to be retained

- avoids the risk of being a forced seller
- has adequate income generating assets
- makes the most efficient use of income generated by the Fund's assets
- implements an optimum cash management policy

- 5.5 Member benefits are protected against inflation through the Pension Increase order which is linked to the consumer prices index (CPI) as at the previous September. The value of member benefits and the Fund's cashflow position is therefore sensitive to the rate of inflation.
- 5.6 The focus on cashflow is greater due to the significant increase in the rate of inflation and resulting increase to benefits at April 2023 (10.1%) and April 2024 (6.7%).
- 5.7 The report therefore considers three potential inflation scenarios; a baseline scenario based on consensus forecasts on future inflation, a plausible high inflation scenario and a plausible recession scenario.

6. Issues and Choices

6.1 Summary of Results

The headlines from the report are as follows:

- **Baseline scenario:** The Fund is expected to become cashflow negative by 2029 but is generating sufficient income to meet the expected cashflow shortfall over the next 20 years.
- **Recession:** The Fund is expected to remain broadly cashflow neutral in the short to medium term if inflation is low.
- **High Inflation:** The Fund is expected to become cashflow negative over the next few years with the gap growing if high inflation persists. This could create a requirement for more income generating assets to ensure there is sufficient cash to pay benefits.

6.2 Presentation by Fund Actuary

At the meeting of the Pensions Committee, the Actuary summarised the report covering:

- Background to why we monitor cashflow positions (pages 5-7 of the report)
- The inflation scenarios used (page 9 of the report)
- Cashflow projections under each scenario with key learnings (pages 11-18 of the report)
- Next steps

7 Implications (including financial implications)

Resources and Financial

- 7.1 The results of this report will be used to review the Fund's cashflow management policy, investment strategy and may impact the allocation and management of the Fund's assets, including liquidation of assets where appropriate.

Legal

- 7.2 There are no legal implications arising from the proposals.

Risk

- 7.3 The mitigated risks associated with this report have been captured in the Fund's risk register as detailed below -

| Risk | Residual risk rating |
|--|----------------------|
| Information may not be provided to stakeholders as required. | Green |
| Those charged with governance are unable to fulfil their responsibilities effectively. | Green |
| Failure to respond to changes in economic conditions | Amber |
| Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making. | Green |

The Fund's full risk register can be found on the Fund's website at the following link:
[Northamptonshire Risk Register](#)

Relevant Pension Fund Objectives

7.4 The following objectives have been considered in this report -

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- To put in place a strategic asset allocation ensuring it is appropriately maintained taking into account the Funding strategy.
- To ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required.

Consultation

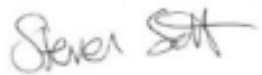
7.5 The report has been produced by the Fund's Actuary.

8 Background Papers

8.1 Not applicable

Northamptonshire Pension Fund

Cashflow projections



Steven Scott FFA

21 December 2023

For and on behalf of Hymans Robertson LLP

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| Reliances and limitations | 21 |

Executive summary

This paper is addressed to Northamptonshire County Council as the Administering Authority to the Northamptonshire Pension Fund (“the Fund”). The paper considers different future projections of the Fund’s cashflows under a range of different scenarios. The analysis and projections will help the Fund better understand its current and potential future cashflow position and is part of its management of risk in this area.

From the analysis and projections set out in this paper, the following conclusions can be drawn:



In the absence of investment income, the Fund is likely to be cashflow negative by 2026 allowing for the April 2023 pension increase order of 10.1% and the expected April 2024 pension increase order of 6.7%, as well as pay growth in line with national local government pay award information. This is later than previously anticipated (2025) as part of the analysis carried out in December 2022 due to increased contribution income (based on increased payroll).



The cashflow position of the Fund is sensitive to future levels of inflation. The recessionary scenario represents a “hard landing” and associated new period of low inflation. Under this scenario, the Fund remains cashflow positive over the 20-year projection period (disregarding 2024 due to a modelling assumption). This highlights the importance of reviewing the cashflow position on a regular basis in an uncertain inflationary environment.



In the longer-term, the most significant risk to the Fund (in respect of its cashflow position) is a high inflation scenario, where inflation remains elevated for a longer period. Under this scenario, the Fund becomes cashflow negative over the next couple of years, with the gap increasing to a material level in the longer-term.



Background and inputs

What is cashflow negativity and does it matter?

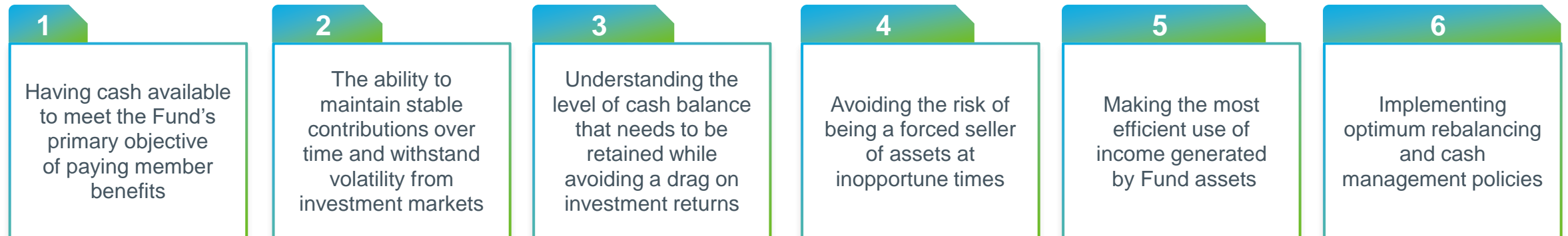
Every month, the Fund receives income via contributions and pays out benefits to members. Historically, the benefits have been paid out of the contribution income with any excess being invested. This is how the Fund's asset value has built up over time (along with investment returns).

Over time a pension fund will mature, and the level of benefit payments will start to exceed contribution income. At this point, a pension fund is considered "cashflow negative".

Being cashflow negative itself is not unexpected for a pension fund; the assets that have been accrued are for the purpose of paying benefits. However, if the transition to being cashflow negative is not monitored and managed effectively, it can pose a liquidity risk and the Fund may become a forced seller of assets.

At the 2022 valuation, the focus on cashflow is greater given the significant increases in benefits (10.1% at April 2023 and 6.7% at April 2024) due to rising inflation.

Knowing when the Fund is likely to be cash flow negative is helpful as it can have implications for both the funding and investment strategy:



This paper explores the Fund's cashflow position under a variety of different scenarios to inform its approach to cashflow management

Recent cashflow position

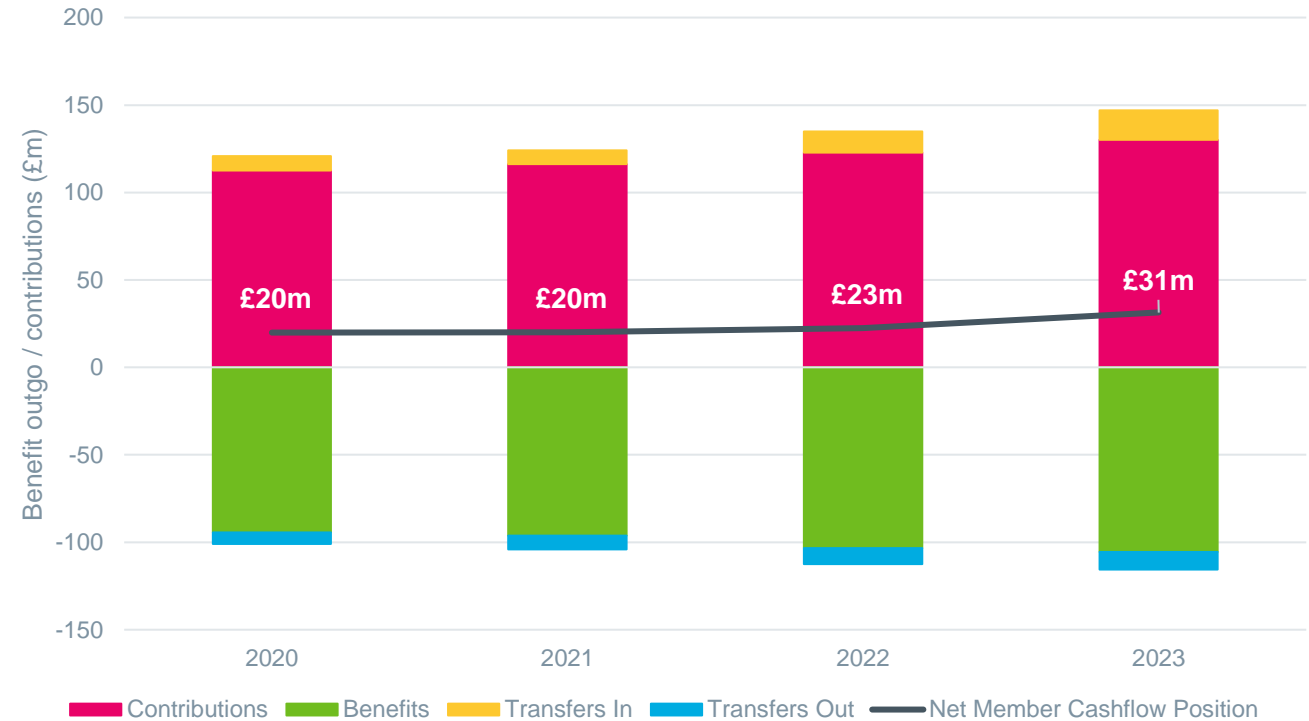
Using the annual report and accounts for years ending 2020, 2021, 2022 and 2023 (draft), we have analysed the recent cashflow position for the Fund.

The chart shows the absolute value of contribution income and benefit outgo (bars) and the net cashflow position (line and figures).

During this period, the Fund remained cashflow positive, i.e. contribution income exceeded benefit outgo.

Transfers into and out of the Fund can significantly affect the cashflow position. In 2021/22, there were c.£12m of transfers into the Fund which helped increase the net cashflow position. These were partially offset by c.£9m of transfers out in the same period.

NB The average investment income yield is c.0.7% of assets p.a.



The cashflow position has been positive in recent years. Excluding the impact of transfers, the current net cashflow position is around £20m (contributions exceeding benefits).

What are the cashflows of the Fund

In this paper we consider the main cashflows in and out of the Fund over the next 20 years.

The Fund's primary sources of income are:

- Contributions from employers in the Fund
- Contributions from employee members in the Fund
- Income streams generated from the Fund's investments

Contributions paid are estimated based on:

- The 2022 valuation payroll
- An allowance for increases in payroll in 2023 and 2024 in line with national local government pay award information.
- The aggregate of all certified employer contribution rates payable from 1 April 2023 to 31 March 2026. Thereafter the contribution rate has been assumed to remain stable up to year 20.

The Fund's outflows are the benefits payable to the members and their dependants. These include:

- Retirement lump sums paid to active and deferred members on retirement
- Retirement pensions paid to pensioners and their dependants
- Death in service benefits and ill health benefits.

Transfers in and out of the Fund by individual members are not usually a significant source of income or outflow and typically balance out over time.

The projected cashflows are sensitive to several assumptions. The most significant are:

- Level of future benefit increases (LGPS benefits are generally index-linked and increase in line with Consumer Price Index (CPI) inflation)
- Level of current and future payroll (determines the amount of contributions received)

Data, assumptions and methodology

Membership data

We have used the membership data provided for the 2022 valuation of the Fund.

Assumptions

The demographic and financial assumptions are in line with those adopted for the 2022 valuation of the Fund unless stated otherwise.

Further information on the membership data and assumptions is detailed in the 2022 valuation initial results report dated October 2022, and in the final valuation report dated March 2023.

Allowance for benefit outgo in respect of benefits yet to be accrued by current active members is included in the projection; however, given the relative short timeframe considered, no allowance has been made for benefit outgo in respect of accrual by members yet to join the scheme.

Methodology: how we project benefit payments

Known pension payments for current pensioners.

Adjust for one year's pension increases, expected deaths, retirements

YEARS

Adjust each year allowing for pension increases, retirement, deaths, new dependants etc.

YEARS

No allowance has been made for new joiners in our analysis as we are considering a 20 year time period

Payments many years away will be to new joiners.

YEARS

Methodology: projecting contribution income

- Payroll is assumed to stay constant in real terms, i.e. it increases in line with the valuation assumption of 3.2% pa, however an allowance has been made for an increase of 7.4% in 2023 and 6.9% in 2024 in line with the national local government pay award information.
- Employer contributions are assumed to be in line with the pattern as set out on page 7
- Employee contributions are based on the weighted average for the Fund at the 2022 valuation (6.3% of pay).

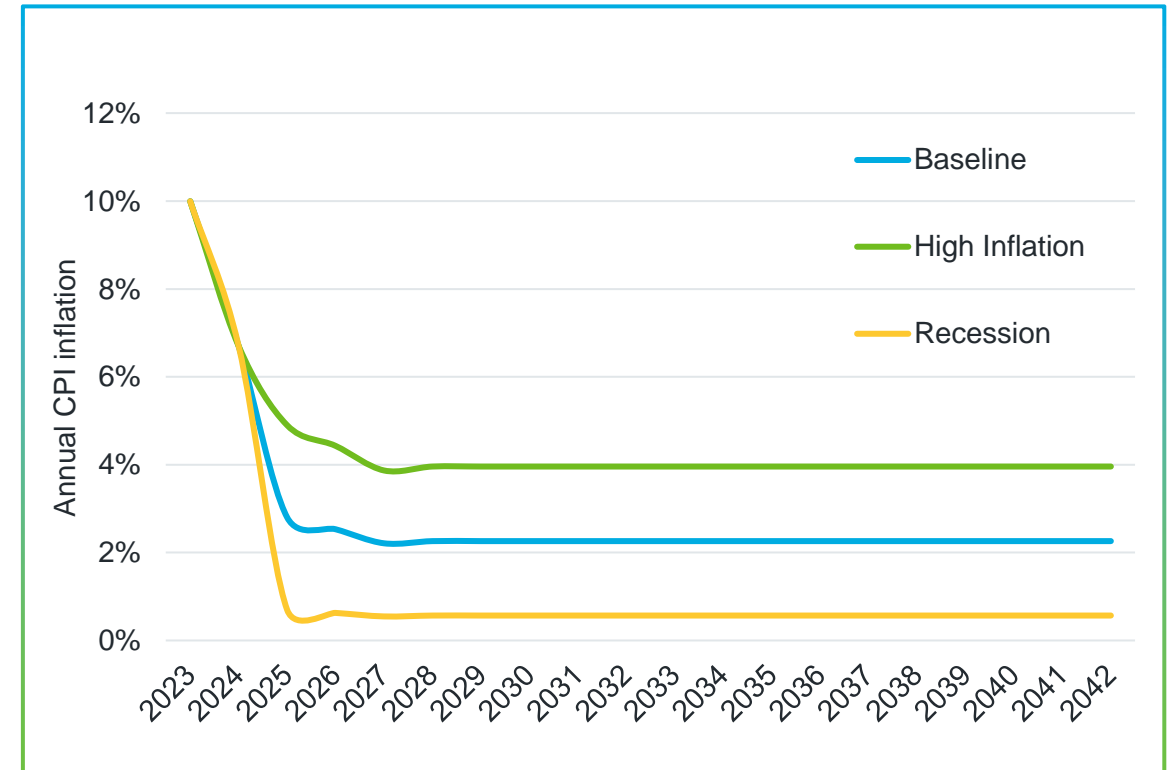
Scenarios explored

Future CPI inflation

Given the sensitivity of future benefit payments to inflation, we have considered three potential scenarios for future inflation. All scenarios recognise a 10.1% increase in benefits in April 2023 and an expected 6.7% increase to benefits in April 2024:

- Scenario 1: this **baseline** scenario represents consensus forecasts for future inflation based on current market data. This is a combination of short-term market expectations and longer-term expectation that the rate will tend towards the Bank of England's 2% target.
- Scenario 2: this represents a plausible **recession** scenario, occurring largely due to excess supply over demand because of higher energy and food prices. This results in a "hard landing" and associated new period of low inflation remaining below the Bank of England target.
- Scenario 3: this represents a plausible **high inflation** scenario where inflation remains high due to higher energy and food prices.

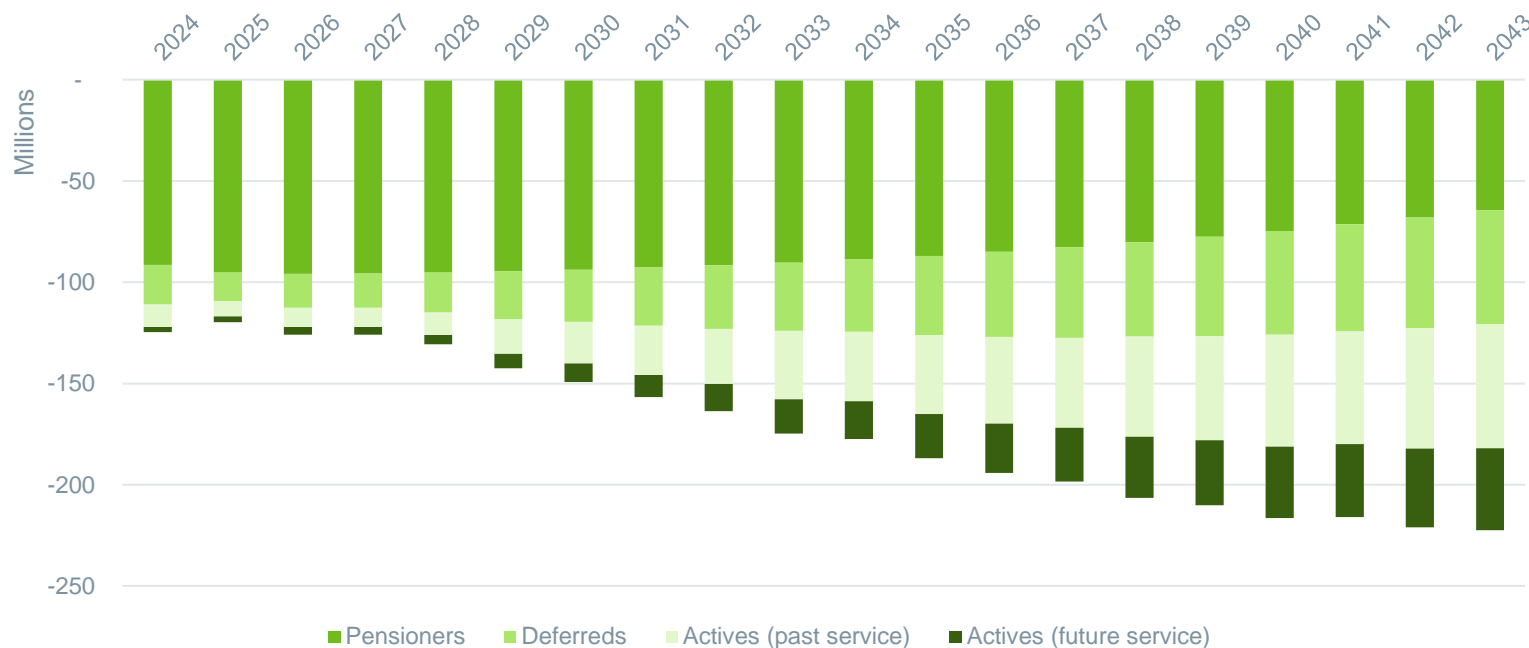
In all scenarios we have kept the payroll growth assumption constant at 3.2% p.a.. However, we have made an allowance for higher pay increases in 2023 and 2024 in line with the national local government pay award information.





Inflation scenarios

Projected benefit outflows (baseline scenario, consensus inflation)



Notes

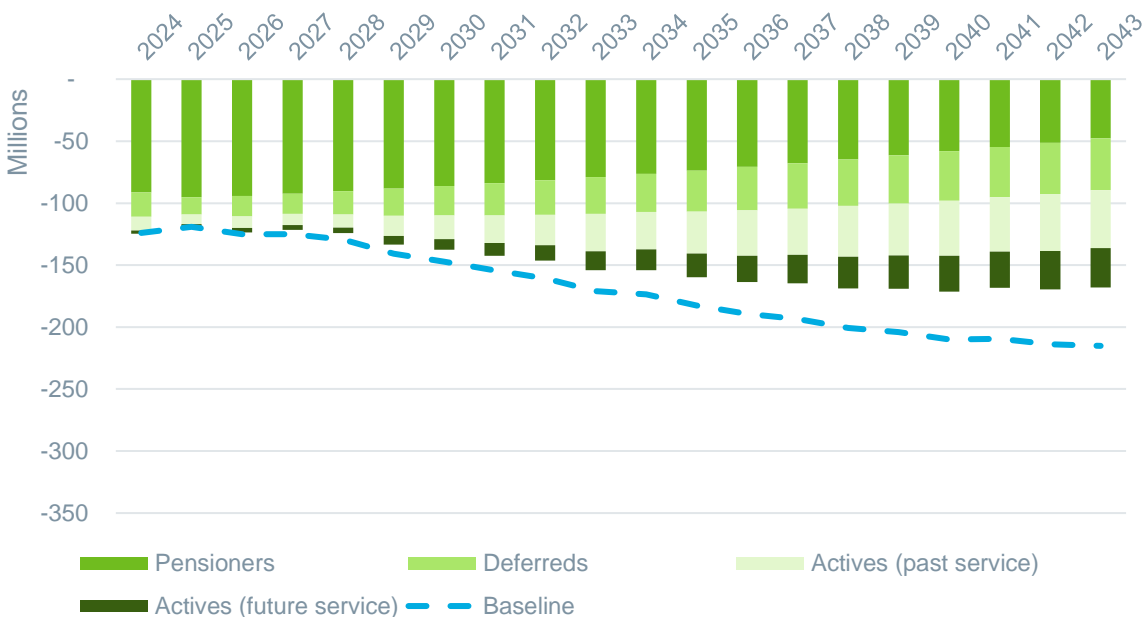
The years along the x-axis (horizontal) refer to the year-end i.e. 2024 means the 2023/24 financial year (from 1 April 2023 to 31 March 2024).

Increased benefit outflow in 2024 in comparison to 2025 is because of the model assumption that all active members already past their assumed retirement age will retire 1 year after the valuation date (2022). In reality these outflows would be spread across a longer period.

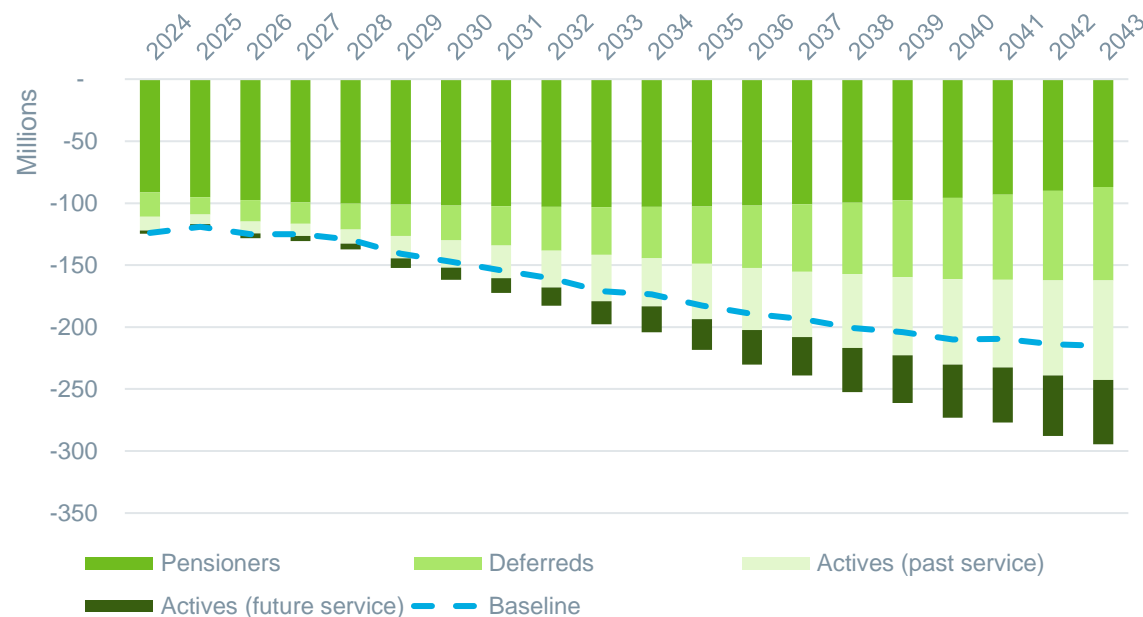
The Fund currently pays around £105m in benefit payments. This is expected to double by 2039.

Projected benefit outflows (alternative inflation scenarios)

Recession

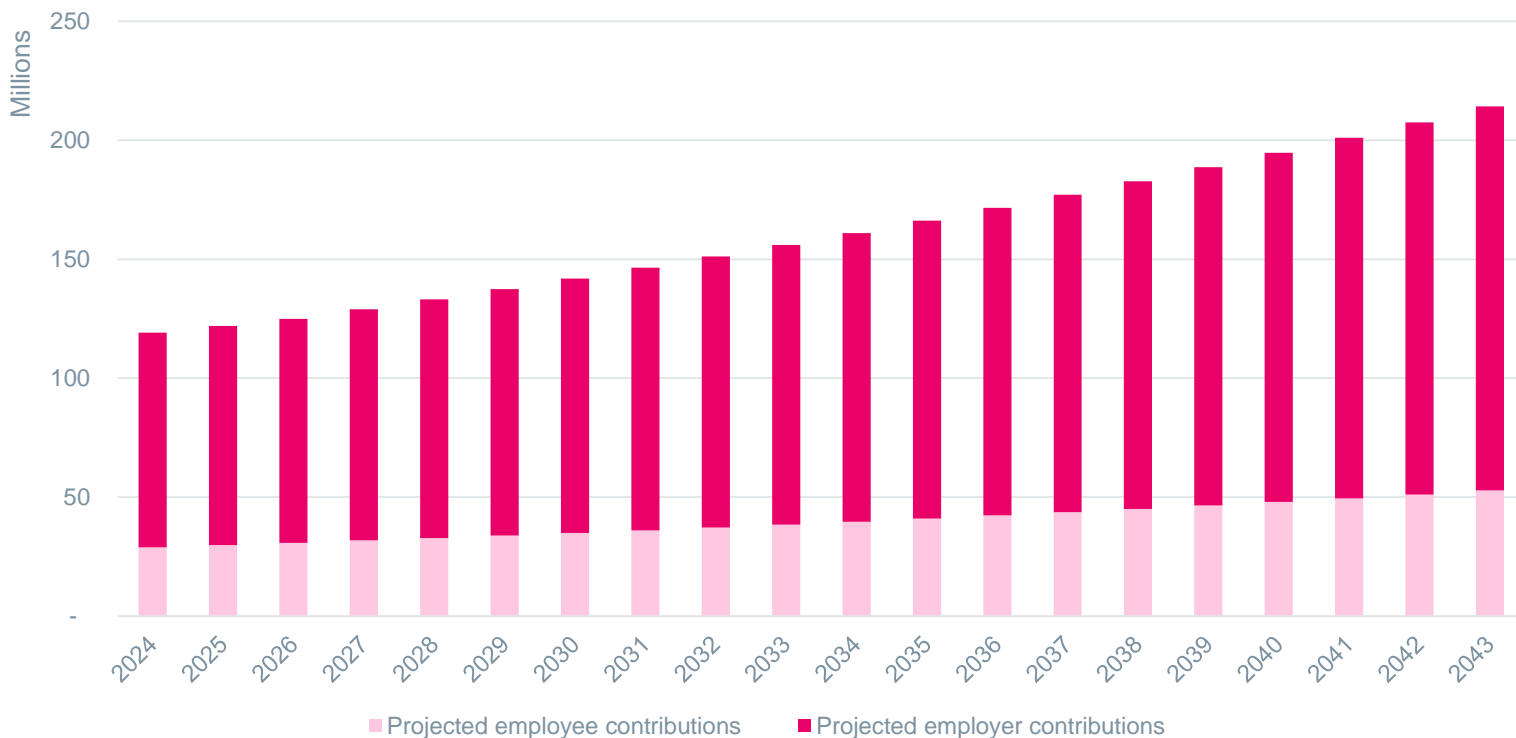


High Inflation



Scenario analysis helps understand the impact inflation may have on future benefit payments – difference of c.£120m in annual benefit payment by 2043

Projected contribution income (all inflation scenarios)



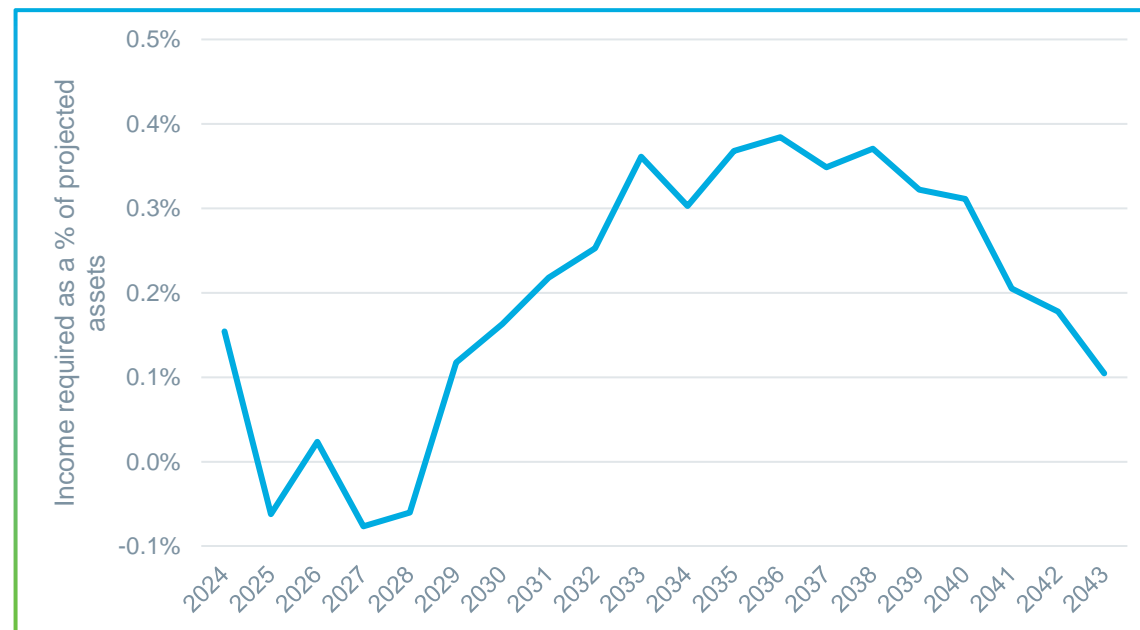
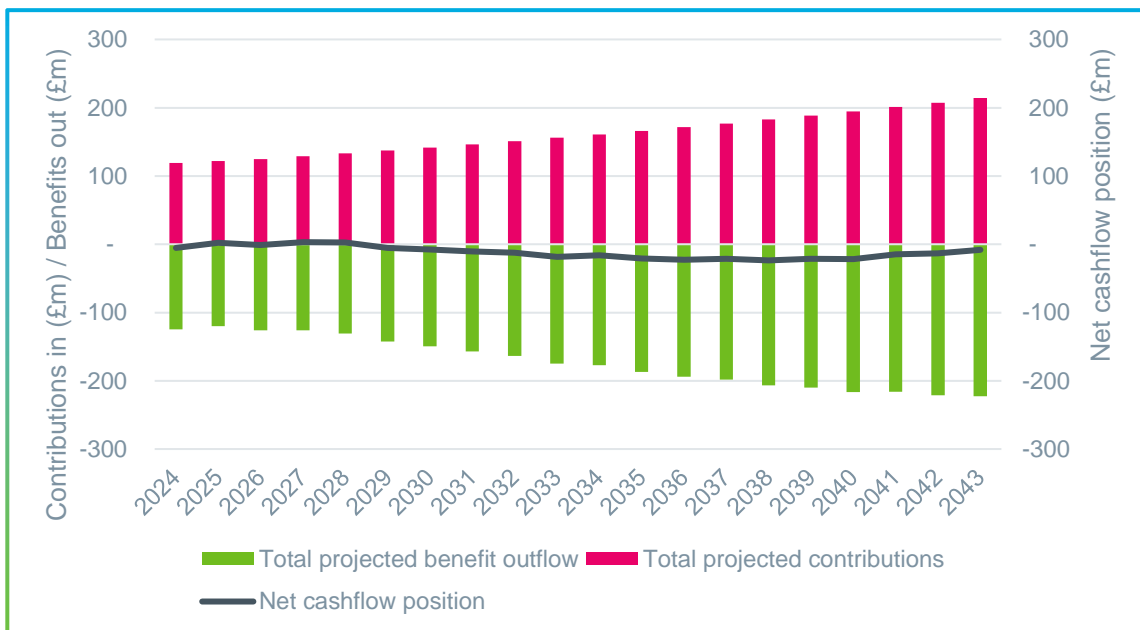
Notes

New entrants are assumed to replace leavers, and are implicitly allowed for in the income cashflow by assuming the payroll grows with inflation.

The years along the x-axis refer to the year-end i.e. 2024 means the 2023/24 financial year (from 1 April 2023 to 31 March 2024).

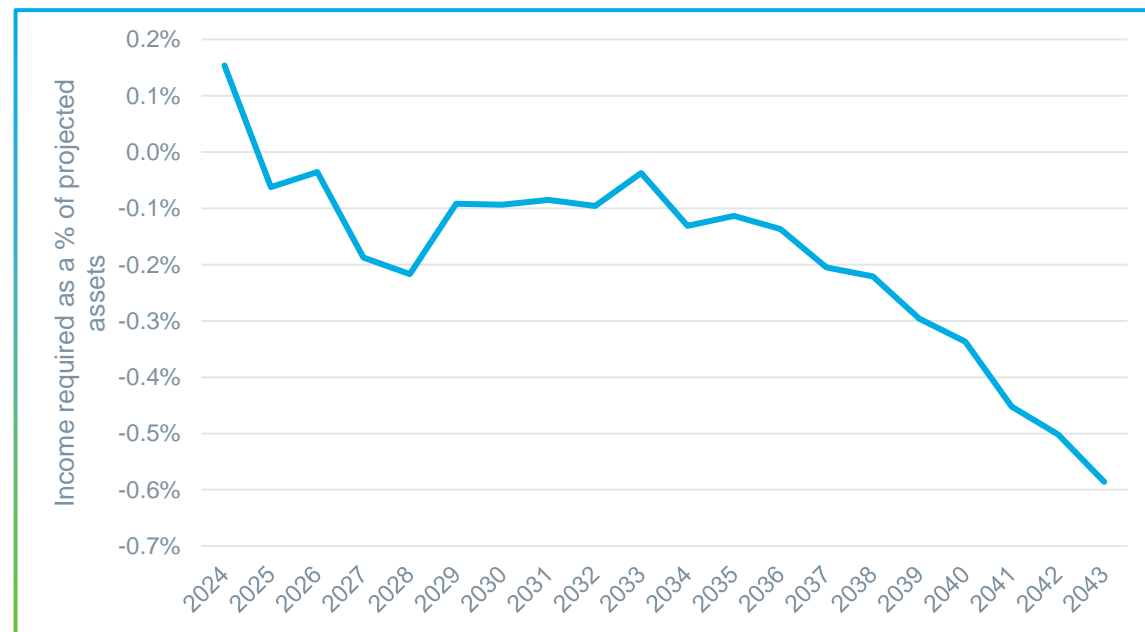
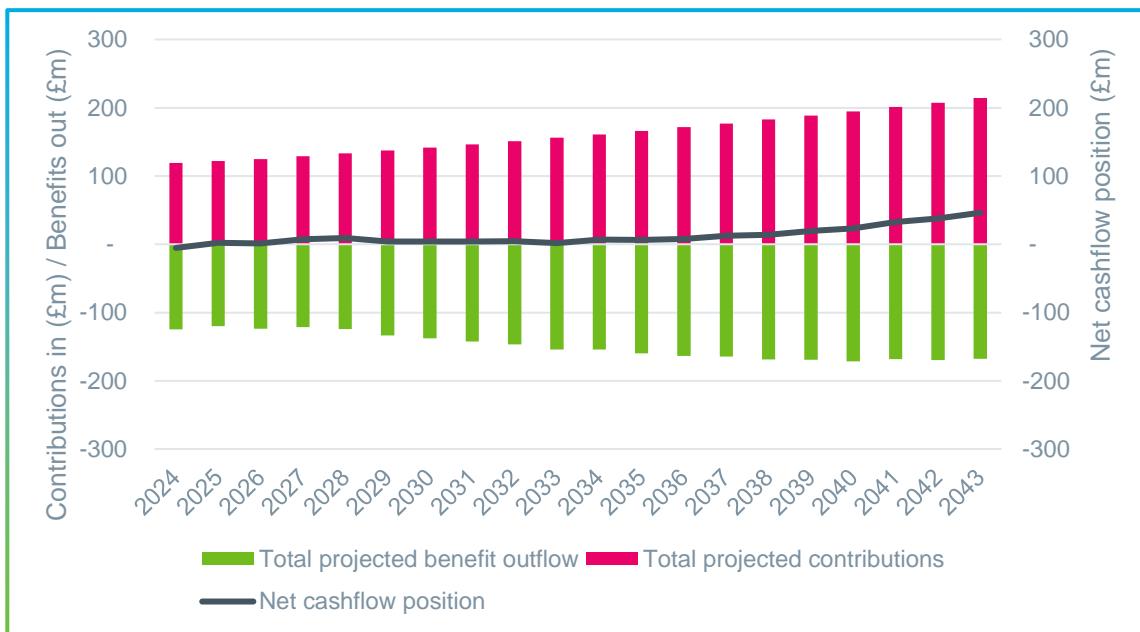
Payroll is assumed to grow at 3.2% pa (in line with the formal valuation), however allowance has been made for national local government pay award information in 2023 and 2024.

Whole fund net cashflow (baseline scenario)



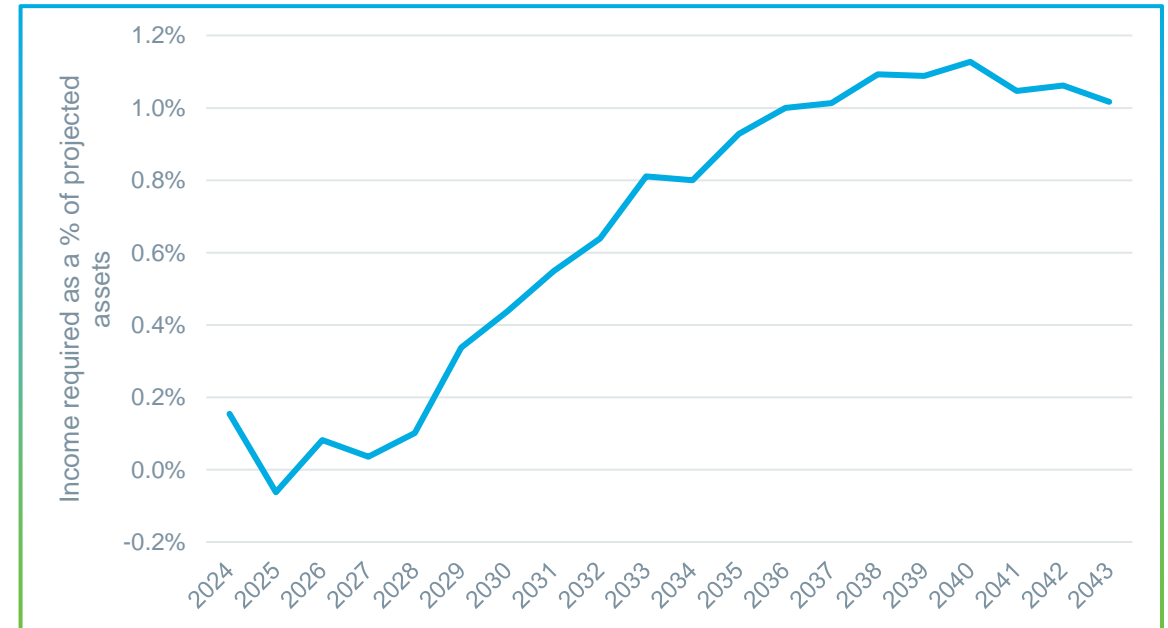
Benefit outflow is expected to exceed contribution income by 2026 (we have discarded 2024 as it is a result of the retirement age assumption – in reality these retirements may be spread over the next 2-3 years). However, the Fund’s current income yield from assets (c.0.7% pa) would be sufficient to meet the shortfall from contributions over the next 20 years (requiring no more than c.0.4% yield).

Whole fund net cashflow (recession scenario)



Relative to baseline, a “hard landing” would improve the Fund’s net cashflow position in future years.

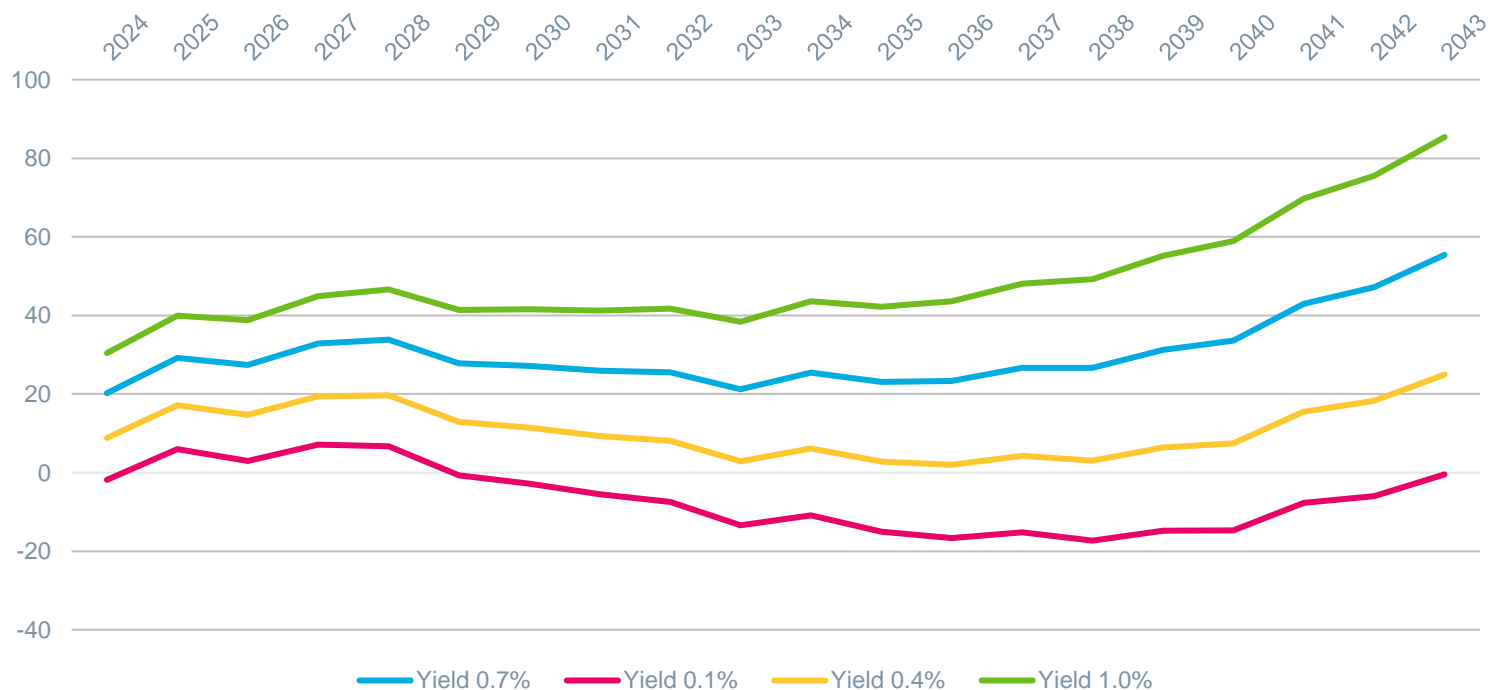
Whole fund net cashflow (high inflation scenario)



A high inflation scenario would worsen the Fund's cashflow position in future years, with a substantial gap opening up (assuming pay increases remain at 3.2% pa) in the longer term. This would need to be managed by a higher level of income from the Fund's assets (in excess of 1.0% pa).

Investment yield sensitivity

Sensitivity of net cashflow to investment income yield



Notes

This highlights the sensitivity of the cashflow position to the investment income yield. For example, a yield of 0.7% pa results in a positive cashflow position for the majority of the 20-year period under investigation (baseline scenario).

A yield of 0.1% pa (as shown) may result in a cashflow negative position for the majority of the 20-year projection period.

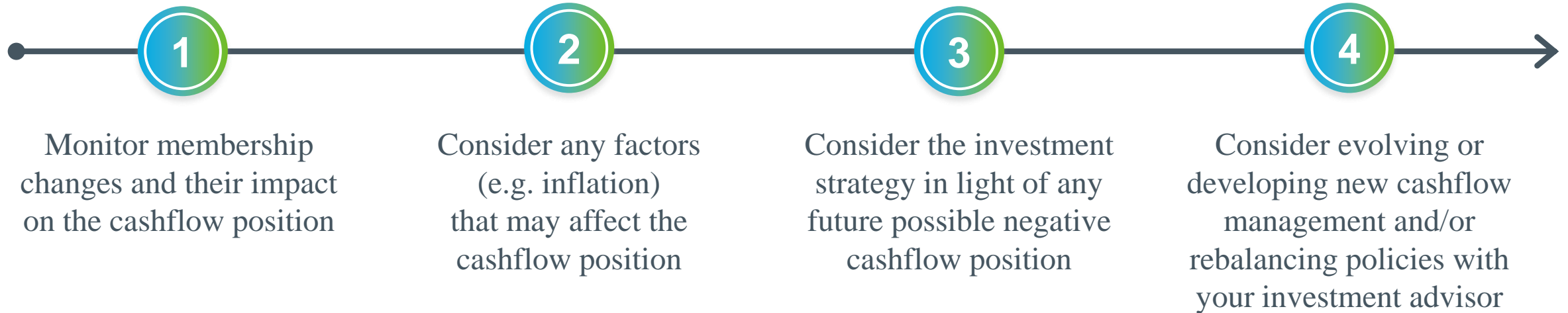
Based on the latest Fund accounts, the current investment income yield (net of investment management fees) is around 0.7% pa. This level of yield results in a positive cashflow position over the period (the blue line), meaning the Fund may not have to increase income generation or sell assets to continue to meet pensions obligations as they fall due.

This highlights the key role that the Fund’s investments play in ensuring there is enough liquidity within the overall strategy (funding and investment) to meet benefit payments.



Next steps

Next steps





Reliances and limitations

APPENDIX 1

Reliances and limitations

This paper is addressed to Northamptonshire County Council as Administering Authority to the Northamptonshire Pension Fund. It has been prepared in our capacity as actuaries to the Fund and is solely for the purpose of projecting the expected cashflows of the Fund over a 20-year time horizon. It has not been prepared for any other purpose and should not be used for any other purpose.

The cashflow projections are based on a specific set of deterministic assumptions, which are highly unlikely to be borne out exactly. We therefore do not claim that the future will exactly match the figures in this paper. The results should be used to give an indicative idea of the Fund's medium term cashflow requirements only.

Any party must accept full responsibility for establishing that the cashflows are appropriate for the purpose to which they want to put them and any decisions that are taken based on their analysis. We cannot be held responsible for any losses sustained as a result of third parties relying on the cashflows provided, or if the cashflows are used for any inappropriate purpose

The extent of the deviations from the assumptions underpinning the cashflow projections depends on uncertain economic events as well as other factors that are not known in advance such as members' decisions, variations in mortality rates, retirement rates and withdrawal rates, fluctuations and rates of salary increase, and the numbers and ages of future new entrants which cannot be accurately predicted. In addition, there could be changes in the regulatory environment and possible changes in retirement benefits. These other uncertainties are often not related to any particular investment and economic eventualities.

Three of the important uncertainties are the:

- (a) Rate of pension increases, the vast majority of which increase at the annual increase in CPI inflation
- (b) Extent to which members elect to exchange pension for cash at retirement
- (c) Level of future payroll and contribution rates which will determine the amount of contributions paid into the Fund

The Administering Authority is the only user of this advice. Neither we nor Hymans Robertson LLP accept any liability to any party other than the Administering Authority unless we have expressly accepted such liability in writing.

This report may be shared with the Fund's independent advisor for information purposes only but may not be passed onto any other third party (such as including in the public part of the Pension Committee & Board's meeting papers) except as required by law or regulatory obligation, without prior written consent of Hymans Robertson LLP.

In circumstances where disclosure is permitted, the advice may only be released or otherwise disclosed in its entirety fully disclosing the basis upon which it has been produced (including any and all limitations, caveats or qualifications).

The following Technical Actuarial Standards are applicable in relation to this advice, and have been complied with where material and to a proportionate degree:

- TAS100
- TAS300.

Thank you

The material and charts included herewith are provided as background information for illustration purposes only. This PowerPoint presentation is not a definitive analysis of the subjects covered and should not be regarded as a substitute for specific advice in relation to the matters addressed. It is not advice and should not be relied upon. This PowerPoint presentation contains confidential information belonging to Hymans Robertson LLP (HR) and should not be released or otherwise disclosed to any third party without prior consent from HR. HR accept no liability for errors or omissions or reliance upon any statement or opinion herein.
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West Northamptonshire Council

Local Pension Board

24/04/2024

Mark Whitby – Head of Pensions

| | |
|----------------------|--|
| Report Title | 2023-24 External Audit Plan for the Northamptonshire Pension Fund |
| Report Author | Fiona Coates Pension Services Financial Manager Fiona.Coates@westnorthants.gov.uk |

Approvers

| | | |
|-------------------------|-------------|------------|
| Head of Pensions | Mark Whitby | 26/03/2024 |
|-------------------------|-------------|------------|

List of Appendices

Appendix A – Northamptonshire Pension Fund Audit Plan Year ended 31 March 2024 Author: Grant Thornton (GT)

1. Purpose of Report

1.1 To present the Local Pension Board with the External Audit Plan from Grant Thornton, the Fund’s external auditor.

2. Executive Summary

- 2.1 Grant Thornton act as Northamptonshire Pension Fund’s external auditors. As the external auditors they have produced a plan of the upcoming audit 2023-24 of the Northamptonshire Pension Fund.
- 2.2 The key risks and areas of focus for Grant Thornton are valuation of Level 3 investments and management over-ride of controls.
- 2.3 Planning materiality for the financial statements is £48.5m, 1.5% of estimated gross investment assets. Planning materiality for the fund account is £13.2m, 10% of prior year gross expenditure.
- 2.4 The total audit fees for the year £132,848, excluding IAS 19 letters for employer body auditors. The scale fee for the year is £123,818.

3. Recommendations

3.1 The Pension Board is asked to note the contents of the report.

4. Report Background

4.1 The Pension Fund's Statement of Accounts (SOA) form part of West Northamptonshire Council's Statement of Accounts. These are audited by the Council's external auditor Grant Thornton (GT). The auditor confirms whether, in their opinion, the SOA reflect a true and fair view of the financial position of the authority (and the Fund within it) for the financial year 1 April to 31 March and that the SOA is free from material mis-statement.

5. Content, Responsibilities and Timeline

- 5.1 Grant Thornton (GT) have been appointed as Independent External Auditors to provide an audit opinion on:
- 5.1.1 whether the financial statements of Northamptonshire Pension Fund give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2024; and
- 5.1.2 the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of West Northamptonshire Council.
- 5.2 GT have produced an audit plan, setting out identified audit risks, expected materiality levels, the audit logistics and the planned delivery of the audit process.
- 5.3 Page 7 of the accompanying report identifies the key risks and areas of auditor focus, details the Auditor's planned approach to these risk areas. These, along with the Fund's approach are summarised in the following table.

| Risk/area of focus | Audit approach | Fund approach |
|---|---|---|
| Valuation of Level 3 investments (annual valuation) | <ul style="list-style-type: none">• Evaluate management's processes for valuing level 3 investments;• Review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investment to ensure the requirements of the code are met;• Independently request year end confirmations from Investment Managers;• Sample testing of investment values;• Obtain and review service audit reports; and• Sample testing of purchases and sales. | <ul style="list-style-type: none">• Provide working papers demonstrating the value used at the year end and the valuation methodology• Provide quarterly reconciliation reports• Liaise with Investment Managers to provide information to auditors on a timely basis |

| Risk/area of focus | Audit approach | Fund approach |
|----------------------------------|---|--|
| Management over-ride of controls | <ul style="list-style-type: none"> Evaluate the design effectiveness of management controls over journals; Analyse the journals listing and determine the criteria for selective high risk unusual journals; Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration Gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and | <ul style="list-style-type: none"> Ensure process notes include identified risks Provide written process notes which detail controls Make copy journals available Provide working papers demonstrating the value used for the journals |

5.4 Page 11 of the accompanying report sets out the planned materiality levels for the audit. Financial statement materiality is set at 1.5% of the estimated gross investment assets, as opposed to net, to be more reflective of the risks associated with asset valuations. A lower materiality is set in respect of fund account transactions, at 10% of prior year gross expenditure, for a more focused approach.

| Audit Area | Materiality |
|---|-------------|
| Planning Materiality – financial statements | £48.5m |
| Planning Materiality – fund account | £13.2m |
| Unadjusted misstatements – triviality threshold | £2.4m |

5.5 Page 14 of the accompanying report sets out the proposed timeline for delivery of the audit. The key planned milestones are:

| Milestone | Planned dates | Status |
|-----------------------|-----------------------|----------------------------|
| Report audit plan | March 2024 | Completed |
| Interim Audit | February - March 2024 | To be completed |
| Year end Audit | July - August 2024 | To be completed |
| Audit Findings Report | October 2024 | Deadline 30 September 2024 |

5.6 Page 16 sets out the audit fees for the year. The fees are:

| | Proposed Fee |
|-----------|--------------|
| Scale Fee | £123,818 |

| | |
|--|-----------------|
| ISA 315 | £7,530 |
| Potential impact of delayed 2021-22 and 2022-23 audits | £1,500 |
| IAS 19 assurance letters | TBC |
| Total Fee | £132,848 (+TBC) |

5.7 The statutory date for publication of the final set of the Council's Statement of Accounts is the end of September, or as soon as reasonably practicable after the receipt of the auditor's final findings (if later).

5.8 The statutory date for publication of the Pension Funds Annual Report is 1st December.

6. Implications (including financial implications)

6.1 Resources and Financial

6.1.1 There are no resource or financial implications arising from the proposals in this paper. This paper is for information only.

6.2 Legal

6.2.1 There are no legal implications arising from the report.

6.3 Risk

6.3.1 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below -

| Risk | Residual risk rating |
|---|----------------------|
| Contributions to the Fund are not received on the correct date and/or for the correct amount | Amber |
| Fund assets are not sufficient to meet obligations and liabilities. | Amber |
| Information may not be provided to stakeholders as required | Green |
| Those charged with governance are unable to fulfil their responsibilities effectively | Green |
| Risk of fraud and error | Green |
| Custody arrangements may not be sufficient to safeguard Pension Fund assets. | Green |
| Failure to administer the scheme in line with regulations and guidance. | Green |
| Pension Fund investments may not be accurately valued. | Green |
| Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided. | Green |

6.3.2 The executive summary can be found on the Fund's website at the following link:

[Northamptonshire Risk Register](#)

6.4 Relevant Pension Fund Objectives

6.4.1 The following objectives as per the Business Plan have been considered in this report -

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
- To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- To provide scheme members with up-to-date information about the scheme in order that they can make informed decisions about their benefits.
- To seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.

6.5 Consultation

6.5.1 The Pension Fund Accounts are produced utilising information and advice provided by Investment Managers, the Fund's Custodian Northern Trust and the Fund's Actuary, Hymans Robertson.

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Northamptonshire Pension Fund audit plan

Year ending 31 March 2024

Northamptonshire Pension Fund
March 2024



Contents



Your key Grant Thornton team members are:

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Key matters

National context

The national and international economic context continues to present challenges for pension funds. Inflationary pressures at home and abroad and wider geo-political issues mean there is volatility in global markets with a consequential impact on the investments held by pension funds.

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of local government pension funds and set employer contribution rates for the period 2023/24 – 2025/26. For Northamptonshire Pension Fund, the valuation was undertaken by Hymans Robertson, and showed that the solvency funding level is 113% therefore the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable.

In November 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published the outcome of their consultation on local government pension scheme investments. The government will now implement proposals which include revised investment strategy statement guidance that funds should transfer all assets to their pool by 31 March 2025, regulation to require funds to set a plan to invest up to 5% of assets in levelling up the UK and revised investment strategy statement guidance to require funds to consider investments to meet the government's ambition of a 10 % allocation to private equity. The Chancellor has also outlined plans that local government pension funds will be invested in pools of £200bn or more by 2040.

DLUHC have also consulted on proposals to require local government pension scheme administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). Climate risk (TCFD) reporting in the LGPS is expected to commence from 1 April 2024, with first reports due in late 2025. We are also aware that administration teams will be tasked with implementing the McCloud remedy for qualifying members' pensions which came into force from 1 October 2023.

In planning our audit, we have taken account of this national and international context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report [About time?](#) In March 2023 which explored the reasons for delayed publication of audited local authority accounts.

Local authorities which administer local government pension funds are required to publish full pension fund accounts in the same document as their local authority accounts. This requirement means that the audited accounts of the host authority and related fund cannot be finalised until both audits have been completed. This co-dependency has compounded delays in the conclusion of pension fund audits and publication of audited accounts and annual reports, including Northamptonshire Pension Fund.

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.

Key matters - continued

Our Responses

- In 2021, PSAA awarded a contract of audit for Northamptonshire Pension Fund to begin with effect from 2021/22. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this Audit Plan, has been agreed with the Head of Pensions. Page 16 of this Audit Plan, sets out the four contractual stage payments for this fee, with payment based on delivery of specified audit milestones.
- To ensure close working with our local audited bodies and an efficient audit process, our preference as a firm is to work on site with you and your officers. Please confirm in writing if this is acceptable to you, and that your officers will make themselves available to our audit team. This is also in compliance with our delivery commitments in our contract with PSAA.
- We offer a private meeting with the Head of Pensions quarterly as part of our commitment to keep you fully informed on the progress of the audit and can extend these to the Director of Finance if you so wish.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Pensions Committee, to brief them on the status and progress of the audit work to date.
- We will continue to provide you and your Pensions Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Pensions Committee updates.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls.
- We identified a significant audit risk relating to the valuation of level 3 investments- refer to page 8.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Northamptonshire Pension Fund ('the Pension Fund') for those charged with governance.

Respective responsibilities

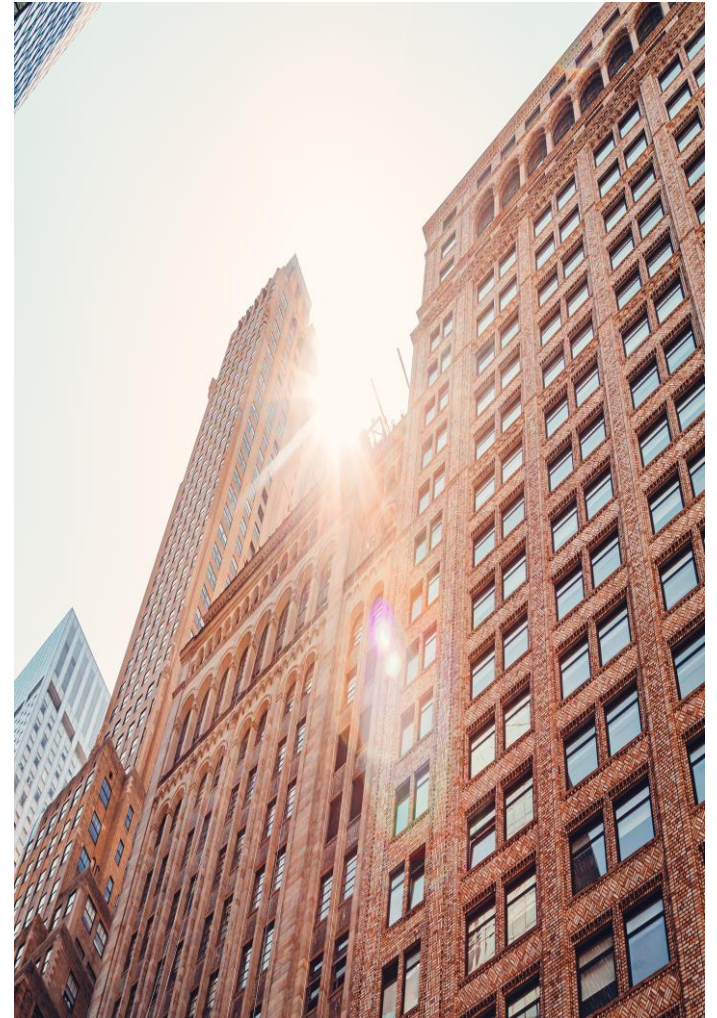
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. The NAO is in the process of updating the Code. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Northamptonshire Pension Fund. We draw your attention to these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management. West Northamptonshire Council is the administering authority for the Pension Fund and we consider that its Audit Committee has final oversight of the preparation of the financial statements as those charged with governance. However, the Pensions Fund Committee considers the draft financial statements and is part of the overall member oversight process and we therefore have determined that our primary communications will be to them.

The audit of the financial statements does not relieve management or the Audit Committee or Pension Fund Committee of their responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management over-ride of controls
- Valuation of Level 3 Investments

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £48.5m (PY £48.1m) for the Pension Fund, which equates to 1.5% of your gross investment assets as at 31 March 2023.

We have determined a lower specific planning materiality for the Fund Account of £13.2m (PY £12.9m), which equates to 10% of prior year gross expenditure on the fund account.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £2.4m (PY £2.4m).

Audit logistics

Our planning visit will take place in January, our interim visit will take place in February and our final visit will take place in July and August. Our key deliverables are this Audit Plan and our Audit Findings Report.

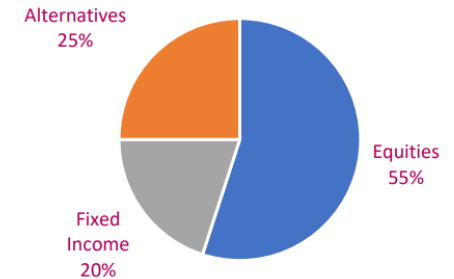
Our preference is for all our work to take place on site alongside your officers.

Our proposed fee for the audit will be £132,848 (PY: £58,250) for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

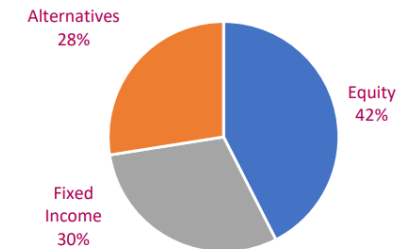
Our understanding is, as shown opposite, the Fund will be transition more from equities into fixed income (Level 1 and 2 assets) whilst maintaining its proportion of alternative assets (Level 3 assets). The Fund's Custodians do not independently value its Level 1 and 2 Investments. This means we are not able to 'triangulate' valuations included in the financial statements to investment manager and custodian confirmations for these investments. As a result, we carry out further audit procedures to gain assurance over the valuations of these investments. For Level 1 and Level 2 investments we will:

- independently request year end confirmations from investment managers;
- check the unit price to the market quoted price (if available) at the reporting date, or; test the valuation to direct confirmation of capital balances from investment managers and, where available latest audited financial statements;
- complete sample testing of purchases and sales to prime documentation across the period to support out reconciliation of the opening and closing balances.

Strategic Allocation at 31 March 2023



Approved Strategic Asset Allocation



See page 8 for further details regarding our approach to auditing the valuation of Level 3 Investments.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|---|---|--|
| <p>Presumed risk of fraud in revenue recognition ISA (UK) 240</p> <p>Risk of fraud related to expenditure recognition</p> <p>PAF Practice Note 10</p> | <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>As external auditors in the public sector, we are also required to give regard to Practise Note 10, which interprets the ISA in a public sector context and directs us to consider whether the assumption also applies to expenditure.</p> | <p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue and expenditure recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue and expenditure recognition; • Opportunities to manipulate revenue and expenditure recognition are very limited; and • The culture and ethical frameworks of local authorities, including the administering authority, West Northamptonshire Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore, at the planning stage we do not consider this to be a significant risk for Northamptonshire Pension Fund. We will continue our risk assessment throughout the audit to identify any circumstances indicating a requirement to alter this decision.</p> |
| <p>Management override of controls</p> | <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>The Fund faces external scrutiny of its spending and stewardship of assets, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatements</p> | <p>We will:</p> <ul style="list-style-type: none"> • evaluate the design and implementation of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • identify and test unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. |

‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ (ISA (UK) 315)

Significant risks identified - continued

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|----------------------------------|---|--|
| Valuation of Level 3 investments | <p>By their nature, Level 3 investments valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315, significant risks often relate to significant nonroutine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgements to reach an appropriate valuation at year end.</p> <p>We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement and a key audit matter.</p> | <p>We will:</p> <ul style="list-style-type: none"> • evaluate management’s processes for valuing Level 3 investments and perform a walkthrough to confirm that controls are implemented as designed; • review the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments to ensure the requirements of the Code are met; • independently request year end confirmations from investment managers; • for a sample of investments, test the valuation by comparing the valuation per the General Ledger (typically based on investor statement as at the reporting date, or in the case of harder to value assets, the latest capital statement available adjusted for known cash movements in the final quarter of the year) to direct confirmation of capital balances from investment managers and, where available latest audited financial statements; • obtain and review service audit reports for the investment managers where available; and, • complete sample testing of purchases and sales to prime documentation across the period to support out reconciliation of the opening and closing balances. |

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management’s assumptions and request evidence to support those assumptions.

Other matters

Other work

The Pension Fund is administered by West Northamptonshire Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2023/24 financial statements, consider and decide upon any objections received in relation to the 2023/24 financial statements;
 - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Progress against prior year audit recommendations

We identified the following issues in our 2022/23 audit of the Pension Fund's financial statements, which resulted in two recommendations being reported in our 2022/23 Audit Findings Report. We are pleased to report that management have implemented all of our recommendations.

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|------------|--|--|
| ✓ | We identified an instance of a self-authorized journal being posted within the previous financial year which was not in line with the Fund's controls for recording journal entries. This represented a segregation of duties issue as the posting of journals without appropriate oversight leads a higher risk of fraudulent journal entries impacting the financial statements. | Management have informed the relevant teams that journals should not be self-authorized. |
| ✓ | Administrative access to Altair was allocated to user who has operational and financial responsibilities. The combination of operational and financial responsibilities with the ability to administer end-user security is considered a segregation of duties conflict. | Access for the 'business user' has now been restricted to view only. |

Assessment

Action completed

Not yet addressed

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

| Matter | Description | Planned audit procedures |
|--------|---|---|
| 1 | <p>Determination</p> <p>We have determined financial statement materiality by applying a reasonable measurement percentage to an appropriate benchmark. Materiality at the planning stage of our audit is £48.5m, which equates to 1.5% of your gross investment assets as at 31 March 2023.</p> | <p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; – assist in establishing the scope of our audit engagement and audit tests; – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements. |
| 2 | <p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p> | <p>An item may be considered to be material by nature where it may affect instances when greater precision is required. We have determined a lower specific planning materiality for the Fund Account of £13.2m (PY 12.9m), which equates to 10% of prior year gross expenditure on the fund account. The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which materiality for the financial statements as a whole will be applied.</p> |
| 3 | <p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p> | <p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p> |
| 4 | <p>Other communications relating to materiality we will report to the Audit Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p> | <p>We report to the Pensions Committee and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £2.4m (PY £2.4m).</p> <p>If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Pensions and Audit Committees to assist them in fulfilling their governance responsibilities.</p> |

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

| | Amount (£) | Qualitative factors considered |
|--|------------|---|
| Materiality for the financial statements | £48.5m | Materiality is calculated as approximately 1.5% of gross assets per the prior year draft accounts. We deem this to be a level above which errors or omissions would alter the economic decisions of users of the accounts. |
| Materiality for the fund account | £13.2m | Materiality is calculated as approximately 10% of gross expenditure in the prior year draft accounts. We deem this to be a level above which errors or omissions would alter the economic decisions of users of the accounts. |



IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

| IT system | Audit area | Planned level IT audit assessment |
|-----------|---------------------|--|
| ERP Gold | Financial reporting | <ul style="list-style-type: none"> Detailed ITGC assessment completed by internal expert. We plan to test the design and implementation of ITGCs. |
| Altair | Member data | <ul style="list-style-type: none"> Detailed ITGC assessment completed by internal expert. We plan to test the design and implementation of ITGCs. |

Audit logistics and team



Araminta Allen, Audit Incharge

Key audit contact responsible for the day to day management and delivery of the audit work.



William Howard, Audit Manager

Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers



Grant Patterson, Key Audit Partner

Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers.

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes and the Annual Report
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you. In line with previous years, this will include the use of Inflo.
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit (as per our responses to key matters set out on slide 4)
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. In 2021, PSAA awarded a contract of audit for Northamptonshire Pension Fund to begin with effect from 2021/22. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. The scale fee set out in the PSAA contract for the 2023/24 audit is £123,818.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here <https://www.psa.co.uk/appointing-auditors-and-fees/fee-variations-overview/>

Assumptions

In setting these fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Audit fees

| | Proposed fee 2023/24 |
|---|----------------------|
| Northamptonshire Pension Fund Audit | £123,818 |
| ISA 315 | £7,530 |
| Potential impact of delayed 2021/22 and 2022/23 administering authority audit opinions and work required on 2021/22 opening balances now that audit opinions have been issued | £1,500 |
| IAS 19 letters for employer body auditors* | TBC |
| Total audit fees (excluding VAT) | £132,848 (+£TBC) |

*Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work.

Previous year

In 2022/23 the scale fee set by PSAA was £55,250. The actual fee charged for the audit was £58,250.

If the opinion on the 2022/23 and 2021/2022 audit is disclaimed due to the imposition of a backstop date, we will need to undertake further audit work in respect of opening balances. We will discuss the practical implications of this with you should this circumstance arise.

Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in September 2022 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund.

Other services

No other services provided by Grant Thornton were identified.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

Communication of audit matters with those charged with governance

| Our communication plan | Audit Plan | Audit Findings |
|---|------------|----------------|
| Respective responsibilities of auditor and management/those charged with governance | • | |
| Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters | • | |
| Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons | • | • |
| A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence | • | • |
| Significant matters in relation to going concern | • | • |
| Significant findings from the audit | | • |
| Significant matters and issue arising during the audit and written representations that have been sought | | • |
| Significant difficulties encountered during the audit | | • |
| Significant deficiencies in internal control identified during the audit | | • |
| Significant matters arising in connection with related parties | | • |

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Communication of audit matters with those charged with governance

| Our communication plan | Audit Plan | Audit Findings | Respective responsibilities |
|---|------------|----------------|--|
| Identification or suspicion of fraud(deliberate manipulation) involving management and/or which results in material misstatement of the financial statements | | • | As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities. |
| Non-compliance with laws and regulations | | • | |
| Unadjusted misstatements and material disclosure omissions | | • | |
| Expected modifications to the auditor's report, or emphasis of matter | | • | |



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