



# Audit and Governance Committee

A meeting of the Audit and Governance Committee will be held at the The Jeffrey Room - The Guildhall, Northampton, NN1 1DE on Wednesday 26 July 2023 at 6.00 pm

## Agenda

1.	<b>Apologies for Absence and Notification of Substitute Members</b>
2.	<b>Declarations of Interest</b> 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.	<b>Minutes</b> (Pages 5 - 12) To confirm the Minutes of the meeting of the Committee held on 14 June 2023.
4.	<b>Chair's Announcements</b> To receive communications from the Chair.
5.	<b>Pensions Accounts and Annual Report</b> (Pages 13 - 100)
6.	<b>Grant Thornton Audit Plan for Northamptonshire Pension Fund 2022-23</b> (Pages 101 - 128)
7.	<b>Internal Audit Annual Report 2022-23</b> (Pages 129 - 150) Appendices to be considered in the exempt part of the agenda
8.	<b>Internal Audit Progress Report</b> (Pages 151 - 156)

9.	<b>Annual Governance Statement 2022-23</b> (Pages 157 - 178)
10.	<b>External Audit Progress Report (Grant Thornton)</b>
11.	<b>Annual Results Report (NBC) 2020-21 (Ernst Young)</b> (Pages 179 - 238)
12.	<b>External Audit Progress Report (Ernst Young)</b>
13.	<b>Update on Governance</b>
14.	<b>Update on Budget Setting and Revenue and Capital Medium Term Capital Programme</b>
15.	<b>Review of Committee Work Programme</b> (Pages 239 - 242)
16.	<p><b>Urgent Business</b></p> <p>The Chair to advise whether they have agreed to any items of urgent business being admitted to the agenda.</p>

Catherine Whitehead  
Proper Officer  
18 July 2023

**Audit and Governance Committee Members:**

Councillor Cecile Irving-Swift (Chair)	Councillor Charles Manners (Vice-Chair)
Councillor Jamal Alwahabi	Councillor Alan Chantler
Councillor Stephen Clarke	Councillor Keith Holland-Delamere
Councillor Mark Hughes	Councillor Rosie Humphreys
Councillor Sam Rumens	

### **Apologies for Absence**

Apologies for absence and the appointment of substitute Members should be notified to [democraticservices@westnorthants.gov.uk](mailto: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**

If a continuous fire alarm sounds you must evacuate the building via the nearest available fire exit. Members and visitors should proceed to the assembly area as directed by Democratic Services staff and await further instructions.

### **Access to Meetings**

If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named below, giving as much notice as possible before the meeting.

### **Mobile Phones**

Please ensure that any device is switched to silent operation or switched off.

### **Queries Regarding this Agenda**

If you have any queries about this agenda please contact Sofia Neal-Gonzalez, Democratic Services via the following:

Tel: 07391411365

Email: [democraticservices@westnorthants.gov.uk](mailto:democraticservices@westnorthants.gov.uk)

Or by writing to:

West Northamptonshire Council  
One Angel Square  
Angel Street  
Northampton  
NN1 1ED

This page is intentionally left blank



### Audit and Governance Committee

Minutes of a meeting of the Audit and Governance Committee held at The Jeffery Room, The Guildhall, Northampton on Wednesday 14<sup>th</sup> June 2023 at 6 pm.

- Present: Councillor Cecile Irving-Swift (Chair)  
 Councillor Charles Manners (Vice-Chair)  
 Councillor Jamal Alwahabi  
 Councillor Alan Chantler  
 Councillor Stephen Clarke  
 Councillor Keith Holland-Delamere  
 Councillor Mark Hughes  
 Councillor Sam Rumens
- Substitute: Councillor Sally Beardsworth (for Councillor Rosie Humphreys)
- Apologies for  
 Absence: Councillor Rosie Humphreys
- Substitutions:  
 Councillor Sally Beardsworth (for Councillor Humphreys)
- Officers: Martin Henry, Executive Director of Finance  
 Audra Statham, Assistant Director Finance  
 Jen Morris, Head of Audit and Risk  
 Sarah Hall, Deputy Director of Law and Governance  
 Scott Peasland, Audit Manager  
 Luiza Morris-Warren, Assistant Director for Customer and Corporate Services,  
 Anthony Giles, EHC Officer  
 Bellinda Cotton, Data Protection Officer  
 Marina Watkins, Democratic Services

Ciaran McLaughlin, Grant Thornton (GT) – Remote  
 Paul Harvey, Grant Thornton (GT) - Remote  
 Mark Rutter, Ernst & Young (EY) - Remote

#### 22. Minutes

**RESOLVED:** That the Minutes of the Audit and Governance Committee held on 1<sup>st</sup> March 2023 be approved and signed as a correct record.

#### 22. Declarations of Interest

None advised.

23. **Chair's Announcements**

The Chair thanked Councillors John Shephard, Jake Roberts and Danielle Stone for their work on the Committee over the last two years. The Chair welcomed Councillors Mark Hughes, Sam Rumens and Keith Holland-Delamere who had joined the Committee.

24. **Local Government Ombudsman report**

The Assistant Director of Customer and Corporate Services outlined the report regarding the Ombudsman findings that had been received in March, which detailed a number of improvements to be made. The Committee was asked to note that the required steps had been taken and improvements put in place.

In response to a question, the EHC Officer advised that barristers were only used for the SEND (Special educational needs and disabilities) tribunals. The Deputy Director of Law and Governance added that the approach had recently been changed, with a member of the Legal team being used instead, although a barrister may be used in the future in certain circumstances.

It was noted that the Ombudsman's findings were indicative of a national issue caused by a lack of resources. The case under discussion had also brought to light further similar cases. In order to address the issues, there was to be an expansion of SEND places across the area. The team also met on a regular basis to discuss the cases of children without school placements.

The area did experience a high level of complaints due to the nature of the work.

The Chair proposed that the word 'accepted' in the recommendation be changed to 'implemented', which was agreed by the Committee. The recommendations submitted in the report were agreed.

**RESOLVED:** The Council has fully implemented the recommendations identified to remedy the complaint. The Audit and Governance Committee is asked to note the findings of the report and the remedial actions put in place by the service following the publication of the report.

25. **Information Governance Report**

The Data Protection Officer outlined the report which was the first to be presented to the Committee and therefore included two years' worth of figures. It was proposed that the report be submitted to Committee on a quarterly basis going forward.

In response to questions, the following points were made:

- A restructure of the team was taking place along with a benchmarking exercise to ascertain the appropriate level of resources needed
- Freedom of Information requests had increased in terms of complexity, which took a great deal of time to work through and redact
- More information was to be put on the website which would save time in the future as well as aid transparency

- It was suggested that putting all information online may not be beneficial to all, as many people were unable to access the internet. Consideration would be given as to how information could be shared
- Consideration could be given to the implications of providing the option to print information for residents at Council Hubs. It was noted that the option to have printed material posted out was already offered. Some requested documents could be very large which could cause difficulties
- The barriers to providing data included a busy and pressured workforce, where responding to an FOI was not a key priority but was a statutory function.
- Additional staff had been requested for six months to assist the team during the restructure.

The Committee accepted the recommendation within the report.

**RESOLVED:** That the Committee accept the Information Governance update.

26. **Update on Governance**

The Deputy Director of Law and Governance advised the Committee that a number of governance reports would be submitted to the Committee going forward, including an annual RIPA (Regulation of Investigatory Powers Act 2000) report. The Governance working group was working to embed good governance across the authority.

There would be a future report on ethical governance indicators and research was ongoing into indicators that would show the ethical health of the Council. It was important that any indicators used were meaningful and easy to collate.

A report would also be compiled into the large number of companies operated by the Council. A Brief summary on RIPA would be provided to each meeting of the Committee.

The Chair advised that the Annual Governance report would be considered at the next meeting of the Committee and that the Chief Executive and Leader had been invited to attend and answer any questions.

The legal team was undergoing a restructure and taking on new staff. It was anticipated that the team would be in place by the end of the year.

In response to a question regarding audit and performance management, the Head of Audit and Risk advised that the audit team could take action by supporting and developing controls in services.

**RESOLVED:**

The Committee noted the verbal update.

27. **Internal Audit Plan 2023-24**

The Head of Audit and Risk outlined the report. It was noted that the counter fraud work undertaken was mostly reactionary, with high risk areas identified.

The Internal Audit plan did not cover a whole year in order to allow for some flexibility. It was useful to work with services undergoing change as it allowed the team to have input on control and risk implications from an early stage. The plan included audits of maintained schools and the audit would start with those schools most in need as identified by the Schools Engagement team. The number of audit days identified in the plan was achievable and would provide the level of assurance required.

The Internal Audit Charter demonstrated how the service linked back to the Corporate Plan.

During the discussion, the following points were raised:

- When an audit was classed as 'limited assurance', control weaknesses had been identified. Audit would work with the service area to address the issues. A further audit may be carried out if considered necessary
- The cost of temporary accommodation was a policy issue. The Executive Director of Finance advised that the matter was being looked into
- The IT follow ups referred to the two limited assurance reports previously referred to committee. Meetings were held regularly with the service areas and there was on-going follow-up.
- The contract for the new telephony system had been signed today
- Achieving carbon neutrality was one of the Councils objectives and the Audit team would provide an advisory role.
- There was some distinction between the role of audit and the role of scrutiny. The sustainability agenda was a key area and linked to many other strategies such as transport. It was therefore useful for Audit to have some oversight
- The Chair highlighted that the Audit team provided a new and more proactive way of working. The traditional audit work was still on-going

The Chair thanked the Head of Audit and Risk and the Audit team for their work.

The Committee accepted the recommendation within the report.

**RESOLVED:** That the Committee approves the plan.

## 28. **Internal Audit progress report**

The Head of Audit and Risk advised that a full report would be submitted to the next meeting of the Committee. Work was on-going to finalise the audits though it was likely that a couple would slip. The Committee would then be asked permission to carry over the audits into the new year.

In response to questions, the Head of Audit and Risk undertook to provide a written response to Councillors regarding Licensing.

The Council had taken part in a day of national action around the use of blue badges. Enforcement Officers and the Police worked together around the town centre. Work was carried out with the blue badge team to tighten controls.

The recommendations submitted in the report were agreed.



**RESOLVED:** That the Committee endorses the position.

29. **Audit and Governance Committee Annual report 2022-23**

The Executive Director of Finance presented the Annual report of the Committee which would be submitted to Council at the September meeting.

**RESOLVED:**

That the Committee agrees the Audit and Governance Committee Annual report for 2022-23

30. **Annual Audit report (WNC) 2021-22 (Grant Thornton)**

Ciaran T McLaughlin of Grant Thornton presented the annual report for 2021-22 which covered the Value for Money work for WNC and Northamptonshire Pensions Fund.

It was very pleasing to note that no significant weaknesses had been identified, particularly considering it was the first year of the authority.

A number of improvements had been recommended, but overall, the audit was very positive.

The Chair thanked Ciaran for meeting with the Chair and Vice-Chair of Committee and the Executive Director of Finance and Assistant Director for Finance.

The recommendations submitted in the report were agreed.

**RESOLVED:** That the Committee notes the external auditor's annual report on West Northamptonshire Council for the financial year 2021-22

31. **External Audit Progress report (Grant Thornton)**

Paul Harvey of Grant Thornton presented the external audit progress report which outlined the plan for the year. The aim was for the final opinion to be published in December. The Housing Benefit audit had been delayed.

It was pleasing to note the reference to climate change in the conclusion.

The recommendations submitted in the report were agreed.

**RESOLVED:** That the Committee notes Grant Thornton's Audit Progress report and Sector Update.

32. **External Audit Progress Report (Ernst Young)**

Mark Rutter of EY updated the committee on the progress of the external audit. The NBC 2021 audit had been concluded in April and would be submitted to the July meeting of the committee. With regards to the NCC audit, some information was still awaited such as Covid grants and some group reporting.

The Assistant Director Finance was very pleased to see the NBC accounts finalised, and NCC accounts were close to completion.

In response to a question, the Executive Director of Finance advised that any Section 106 agreement or CIL money that was unspent at NBC would move to WNC and spent in the area that was originally agreed.

The recommendations submitted in the report were agreed.

**RESOLVED:** That the Committee notes EY's External Audit Progress Report.

33. **Update on Budget Setting and Revenue and Capital Medium Term Capital Programme**

The Executive Director of Finance updated the committee on the budget setting and medium term capital programme. The Committee were reminded of the £27million shortfall in 2022/23, where management action was quickly taken to address the situation. The current outturn was showing a very small overspend. Further details would be provided to the July Cabinet meeting.

For the 2023-24 financial year significant pressure was currently not being reported in most services apart from in Children's services. It was hoped that the cost of living situation settled.

**RESOLVED:** That the Committee noted the update on Budget Setting and Capital Medium term Capital Programme

34. **Work Programme**

The Executive Director of Finance presented the work programme and advised that the NBC annual audit would be presented to the July meeting of the Committee.

In response to questions regarding workforce capacity and in particular the planning service, the Executive Director undertook to discuss the issues with HR and update the committee at a future meeting.

**RESOLVED:** That the work programme be noted

35. **Exclusion of the Press and Public**

**RESOLVED:**

That under Section 100A of the Local Government Act 1972, the public and press be excluded from the remainder of the meeting for the following item(s) of business on the grounds that, if the public and press were present, it would likely be that exempt information falling under the provisions of Schedule 12A, Part 1, Paragraph 3 would be disclosed to them, and that in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

36. **Exempt Appendices to Internal Audit Update report**

The Head of Audit and Risk advised that the appendices were related to item 10 on the agenda. In future, the intention was to redact information and keep the reports in public session.

The meeting closed at 8.07pm

Chair: \_\_\_\_\_

Date: \_\_\_\_\_

This page is intentionally left blank

# WEST NORTHAMPTONSHIRE COUNCIL

## AUDIT AND GOVERNANCE COMMITTEE

26 July 2023

Report Title	Pension Fund Annual Report and Statement of Accounts 2022-23
Report Author	Fiona Coates, Fiona.Coates@westnorthants.gov.uk

### Contributors/Checkers/Approvers

West MO	Catherine Whitehead	
West S151	Martin Henry	14/07/23

### List of Appendices

#### Appendix A - Draft Annual Report and Statement of Accounts 2022-23

##### 1. Purpose of Report

---

- 1.1 To present the Draft Annual Report and Statement of Accounts of the Northamptonshire Pension Fund for the 2022-23 financial year.

##### 2. Executive Summary

---

- 2.1 The report covers the contents of the draft Annual Report and key highlights from the Statement of Accounts. The Fund's assets have fallen to £3,242.4m, following negative investment performance during the year with a net decrease of £125.4m. Contributions, Benefits, Management Expenses and Investment income have increased since last year.

##### 3. Recommendations

---

- 3.1 The Committee is asked to:
- a) Note the Draft Annual Report and Draft Statement of Accounts of the Pension Fund for the 2022-23 financial year.

##### 4. Reason for Recommendations

---

- 4.1 To accord with legislation or the policy of the Council.

##### 5. Report Background

---

- 5.1 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<sup>st</sup> April to 31<sup>st</sup> March and that the SOA is free from material mis-statement.

- 5.2 The accounts are based on transactions accounted for within the Fund's financial ledger, information received from Investment Managers and the Fund's Custodian Northern Trust, and assumptions and estimations utilising the professional judgement of officers and Fund professional advisers to give a true and fair statement of the Fund's financial position.
- 5.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 (the Code), which governs the preparation of the financial statements for Local Government Pension Scheme funds. A CIPFA template is used each year to ensure that the reporting meets the requirements of the Code and is compliant with International Financial Reporting Standards (IFRS). The Code is materially unchanged from 2021-22.
- 5.4 The structure and content of the Annual Report is governed by Regulation 57 of The Local Government Pension Scheme Regulations 2013 (as amended).
- 5.5 The publication of the Accounts is an essential feature of public accountability and stewardship as it provides information on how the Fund has used the members' funds for which it is responsible.

## **6. Content and Responsibilities**

---

- 6.1 The Annual Report and Statement of Accounts contents are set out over eight sections: -
  - 6.1.1 Preface - provides an introduction to the Annual Report framing the arrangements for the management of the Fund, a statement of responsibilities and listing key third parties.
  - 6.1.2 Scheme Administration - describes the scheme framework, how the Fund is administered, the Administering Authority's role, membership movements and Pension Committee and Local Pension Board membership. In addition, it sets out the key policies and strategies of the Fund and key policy changes through the financial year.
  - 6.1.3 Management and Financial Performance - describes the management of the Fund and sets out how decisions are made, the structure of the Pensions Service and sections on risk management and performance of the service. In addition, this section lists employer establishments, their contributions and status.
  - 6.1.4 Investment Policy and Performance - describes the legislation under which investment of Fund assets is undertaken, the Fund's investment strategy and performance including commentary on asset pooling. In addition, it includes savings generated by pooling of investment assets and cost transparency. The Fund's investment consultant reviews the economic market background for the year and the future outlook.
  - 6.1.5 Actuarial Information - describes how the Fund has complied with the Local Government Pension Scheme Regulations 2013 and the Fund's key funding

principles adopted in the Funding Strategy Statement. This section describes the most recent triennial valuation and the key assumptions applied.

- 6.1.6 Audit Opinion – Audit opinion issued by the Fund’s auditors confirms the SOA reflect a true and fair view of the financial position for the financial year 1<sup>st</sup> April to 31<sup>st</sup> March and that the SOA is free from material mis-statement.
- 6.1.7 Pension Fund Accounts - accounting statements and notes to the accounts and is approved as a section within the Administering Authority’s SOA
- 6.1.8 Glossary
- 6.2 The Annual Report will be subject to further refinement, external auditor oversight and accessibility checks.
- 6.3 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).
- 6.4 The statutory date for publication of the Pension Funds Annual Report is 1st December.
- 6.5 Due to various dependencies there are some areas of the Annual Report and Statement of Accounts that are still missing information. These will be included in the final version of the report.
  - 6.5.1 Page 3 – Chair’s Foreword
  - 6.5.2 Page 31 - ACCESS information
  - 6.5.3 Page 32 - Cost Transparency Initiative (deadline 31 July 2023)

## **7. Highlights – Statement of Accounts 2022-23**

---

- 7.1 The Fund Account and the Net Asset Statement provide a summary of the financial activity with the notes to the accounts providing further information.
- 7.2 The net decrease for the year was £125.4m, with the Fund’s net assets falling to £3,242.4m reflecting negative performance in the first two quarters of the year.
- 7.3 Contribution receipts increased from £122.8m to £130.1m. The increase in contributions payments reflects the increase in the average contribution rate for 2022-23.
- 7.4 Benefit payments have increased from £103.4m to £105.5m. The increase in pension payments reflects the growth in the number of pensioners during the year and CPI uplifts to benefits in payment.
- 7.5 Management expenses are broken down in Note 11. Administration expenses have increased from £2.3m to £2.5m mainly due to increases in staff salaries and inflationary increases. Oversight and Governance costs have increased from £812k to £911k mainly due to actuarial valuation costs. Investment Management fees have increased from £12.9m to £13.2m due to increased commitments to alternative assets.

- 7.6 The one-year investment return as at 31<sup>st</sup> March 2023 was a net market loss of £173.7m.
- 7.7 Investment income increased from £28.9m to £34.0m mainly due to large income distributions from LionTrust UK Equities, Baillie Gifford Diversified Growth Fund and M&G Alpha Opportunities Fund. Investment income is impacted by market performance however the main returns are reflected in market value increases.

## **8. Implications (including financial implications)**

---

### **8.1 Resources and Financial**

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

### **8.2 Legal**

- 8.2.1 In addition to legal implications mentioned in the report, the production of the Annual Report is a regulatory requirement and needs to be approved by the Pension Fund Committee by the 1 December. As it is proposed that the Committee approves the Annual report its meeting in October, this will meet the timescale for compliance.

### **8.3 Risk**

- 8.3.1 There are no significant risks arising from this report.
- 8.3.2 The Fund's full risk register can be found on the Fund's website at the following link:  
<https://pensions.northamptonshire.gov.uk/governance/key-documents/northamptonshire/>

### **8.4 Consultation**

- 8.4.1 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.

### **8.5 Consideration by Overview and Scrutiny**

- 8.5.1 Not required.

### **8.6 Climate Impact**

- 8.6.1 This an information update paper only. There are therefore no climate impact considerations arising as a direct result of this paper. The systemic risk to the Fund's assets associated with climate change is, however, considered within the Climate Change Report section of the Annual Report.

### **8.7 Community Impact**

- 8.7.1 There are no community impact implications.

### **8.8 Communications**

- 8.8.1 This information only paper does not require any further communication activities. Later communication considerations in connection with approval and publication of the SOA and Annual Report are set out in the relevant sections above.

## **9. Background Papers**

---

- 9.1 Not applicable





**Northamptonshire Pension Fund**  
**Annual Report and Statement of Accounts**  
**Year Ended 31st March 2023**

# Contents

## 1. PREFACE

Chairperson's Foreword	<a href="#">Page 3</a>
Statement of Responsibilities	<a href="#">Page 4</a>
Scheme Management, Advisors and Partners	<a href="#">Page 5</a>

## 2. SCHEME ADMINISTRATION

Pension Fund Administration	<a href="#">Page 7</a>
Membership	<a href="#">Page 7</a>
Scheme Administration Tools	<a href="#">Page 7</a>
Scheme Framework	<a href="#">Page 8</a>
Committee and Board Membership	<a href="#">Page 10</a>
Policies and Strategy Statements	<a href="#">Page 11</a>

## 3. MANAGEMENT AND FINANCIAL PERFORMANCE

The Team	<a href="#">Page 12</a>
Complaints and Appeals	<a href="#">Page 12</a>
Managing Decision Making	<a href="#">Page 13</a>
Risk Management	<a href="#">Page 14</a>
Financial Performance	<a href="#">Page 15</a>
Performance Indicators	<a href="#">Page 16</a>
Contributors to the Fund	<a href="#">Page 18</a>

## 4. INVESTMENT POLICY AND PERFORMANCE

Investment Policy	<a href="#">Page 27</a>
Pooling	<a href="#">Page 28</a>
Asset Allocation	<a href="#">Page 30</a>
Investment Performance	<a href="#">Page 32</a>
TCFD Reporting	<a href="#">Page 34</a>
Investment Consultants Annual Review	<a href="#">Page 39</a>

## 5. ACTUARIAL INFORMATION

Report by Actuary	<a href="#">Page 44</a>
-------------------	-------------------------

## 6. AUDIT OPINION

Report by Auditors	<a href="#">Page 47</a>
--------------------	-------------------------

## 7. PENSION FUND ACCOUNTS

Pension Fund Account and Notes	<a href="#">Page 49</a>
--------------------------------	-------------------------

## 8. GLOSSARY

Glossary of Terms	<a href="#">Page 83</a>
-------------------	-------------------------

# Chairperson's Foreword

I am delighted to introduce the Northamptonshire Pension Fund Annual Report and Statement of Accounts for 2022-23. Throughout the year, our dedicated staff have worked tirelessly to deliver exceptional performance and maintain high standards for our scheme members, employers, and stakeholders.

Our scheme membership grew to over 80,000 active, pensioner, and deferred members, reflecting the trust placed in us to safeguard their valuable pension rights.

We faced market volatility due to the Russian invasion of Ukraine at the start of the financial year. While recognising the human tragedy of this conflict, we acknowledged the potential impact of high inflation and challenges for the Fund during the year. The fund investment return for the year was -4.8%, with net assets falling from £3,368bn in the prior year to £3,242n.

We have made significant strides in enhancing our responsible investment (RI) policy, aligning with our investment strategy. The new RI policy outlines our approach to sustainable responsible investment and our commitment to managing carbon and climate risks affecting our investments.

In line with our dedication to sustainability, the Fund has chosen an ambitious decarbonisation pathway for its investment portfolio. Our aim is to achieve net zero carbon emissions by 2050 or earlier, while ensuring the Fund's ability to fulfill benefit obligations remains uncompromised.

We have actively participated in the ACCESS pool, with 74% of our assets pooled as of March 31, 2022, with further assets earmarked for future pooling.

I would like to express my sincere appreciation to the Pension Fund Committee, the Investment Sub-Committee, the Local Pension

Board members, the Chief Finance Officer, the Head of Pensions, and all the dedicated staff involved in the administration and management of the Northamptonshire Pension Fund.

As we reflect on another successful year, we remain committed to upholding our commitment to excellence, transparency, and responsible stewardship. Together, we will continue to deliver outstanding service and secure the financial future of our scheme members.

Yours faithfully,

Councillor Malcolm Longley

Chair of the Northamptonshire Pension Fund Committee

# Statement of Responsibilities

## Introduction

This Annual Report and Statement of Accounts sets out the arrangements by which the Local Government Pension Scheme operates, reports changes which have taken place and reviews the investment activity and performance of the Northamptonshire Pension Fund ("Fund") during the year.

The Statement of Accounts has been prepared in accordance with the CIPFA/LASAAC Code of Practice for Local Authority Accounting in the United Kingdom 2022-23.

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Pension Committee members. The accounts do not take account of the obligation to pay future benefits which fall due after year end. The actuarial position of the Fund which takes into account these obligations is available on the Fund's website, [2022 Valuation Report](#)

## The Council's Responsibilities in respect of the Pension Fund

The West Northamptonshire Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Chief Finance Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts which form part of the Council's Statement of Accounts.

## The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code)*.

In preparing this statement of accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgments and estimates that were reasonable and prudent; and
- Complied with the Code.

The Chief Finance Officer has also:

- Kept proper accounting records which are up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

## Certificate of Accounts

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Pension Fund at 31 March 2023 and of its income and expenditure for the year 2022-23, and authorise the accounts for issue.




























XXXXX

Chief Finance Officer

(Section 151 Officer)

Dated: xxxxxxx

# Scheme Management, Advisors and Partners

Partners		Asset Managers (Continued)	
ACCESS (Pension Pool)		Catapult	
AON (Consultants)		CBRE Global	
Barclays (Bank)		Harbour Vest Partners (UK)	
David Crum (Independent Advisor)		IFM Investors	
Grant Thornton (Auditors)		JP Morgan	
Hymans Robertson (Actuary)		Lion Trust*	
Mercer (Investment Consultants)		Link Fund Solutions (Access)	
Northern Trust (Custodian)		Longview Partners*	
Pathfinder (Legal Advisor)		M&G Investments*	
Squire Patton Boggs (Legal Advisors)		Newton*	
<b>Asset Managers</b>		UBS Asset Management	
Adams Street Partners		<b>AVC Providers</b>	
Allianz Global Investors		Prudential	
Ares Asset Management		Standard Life	
Baillie Gifford & Co*		*Sub-funds managed by Link Fund Solutions in the ACCESS pool (page 27)	
Blue Bay Asset Management			

# Scheme Management & Key Officers

The Key Officers of the Fund during the year were:

Mark Whitby – Head of Pensions

Ben Barlow – Investments and Fund Accounting Manager

Joanne Kent – Systems and Projects Manager

Akhtar Pepper – Operations Manager

Cory Blose – Employer and Communications Manager

Michelle Oakensen – Governance and Compliance Manager

Further information regarding the accounts and investments can be obtained from:

**Ben Barlow**

Investments and Fund Accounting Manager

Pensions Service

Email: [Ben.Barlow@westnorthants.gov.uk](mailto:Ben.Barlow@westnorthants.gov.uk)

Telephone: 07831 123167



Enquiries relating to management and administration should be directed to:

**Mark Whitby**

Head of Pensions

Pensions Service

Email: [Mark.Whitby@westnorthants.gov.uk](mailto:Mark.Whitby@westnorthants.gov.uk)

Telephone: 07990 556197



Registered Pension Scheme Number: 10079143

# Scheme Administration

## Introduction

West Northamptonshire Council is responsible for administering the Northamptonshire Pension Fund, which is available to employees of the Council, organisations with a statutory right to be in the scheme (scheduled bodies) and organisations, such as charities, which the Council has admitted under its discretionary powers (admitted bodies). As well as organisations that can admit their employees to the LGPS by passing their resolution (nominate employees for access to the LGPS).

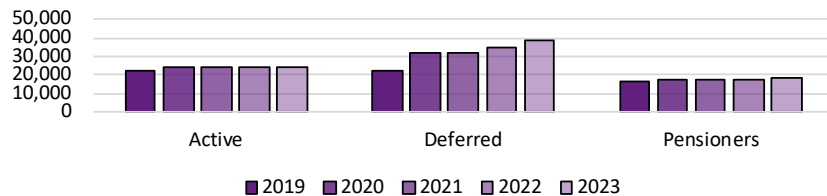
The Fund is a qualifying scheme under the automatic enrolment regulations and can be used by employers to automatically enroll eligible employees, and every three years re-enrol anyone who opts out of the scheme.

A shared service partnership between West Northamptonshire Council and Cambridgeshire County Council provides pension administration services to the Northamptonshire Pension Fund.

## Membership

Membership of the Fund increased by 5.5% from the previous year.

On 31 March 2023 there were 23,949 active, 38,361 deferred and 18,414 pensioner members in the Fund. The deferred figure is inclusive of 10,509 open cases that may change status (undecided leavers).



## Pension Fund Administration

There are 83 staff members (79.05 full time equivalent) within the Pensions Team, providing all aspects of service to both the Northamptonshire and Cambridgeshire Funds, with an average staff to member ratio of 1:2,250 (total members for Northamptonshire and Cambridgeshire Pension Funds divided by full time equivalent staff members).

Internal audit perform risk based audit procedures to assess the effectiveness and efficiency of administration services.

The requirements of the General Data Protection Regulations (GDPR) are recognised and feature in the design of the Fund's administration processes. The Fund has in place a GDPR compliant privacy notice, conducts privacy impact assessments for all new activities involving personal data and has in place a Register of Processing Activities and Information Asset Register.

## Unitary Authority

On the 1<sup>st</sup> April 2021 Northamptonshire County Council ceased and was replaced by two unitary authorities West Northamptonshire and North Northamptonshire. West Northamptonshire Council has become the administering authority for the Northamptonshire Pension Fund.

## Scheme Administration Tools

The Pensions website contains detailed information for all the Fund's stakeholders and has dedicated pages for both members and employers. There is a comprehensive suite of forms and factsheets for members, prospective members and employers.

Support for members and employers can be accessed via the website or by contacting the Helpline on 01604 366537.

[Member Self Service](#) is an online platform which allows members to securely access their records, amend their personal information, perform benefit projections and view their annual benefits statement.

i-Connect is a system used which allows employers to securely upload monthly payroll data into the pension database, improving efficiency and accuracy of data and ensuring timely record maintenance.

# Scheme Administration (continued)

## Scheme Framework

The Local Government Pension Scheme is a statutory funded pension scheme. The operation of the West Northamptonshire Council Pension Fund is principally governed by the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) which have been made within the context of the primary legislation of the Public Service Pensions Act 2013.

The Scheme covers eligible employees of the Unitary authorities, the Police Authority, Police and Crime Commissioner and Academies within the county area other than teaching staff, police officers and fire-fighters for whom separate statutory arrangements exist. A number of other bodies are also members of the scheme.

Employers' contribution rates are set by the Fund's Actuary every three years following the valuation of the Fund, in order to maintain the solvency of the Fund. The last valuation took place as at 31 March 2022. The results of the valuation were a funding level of 113% (31 March 2019: 93%) and an average primary employer contribution rate of 20.5% (31 March 2019: 19%). The primary rate includes an allowance of 0.8% (31 March 2019: 0.8%) of the pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% (31 March 2019: 6.3%) of pensionable pay.

On 1 April 2014, the new Local Government Pension Scheme 2014 came into effect, allowing more flexibility around paying into the scheme and drawing benefits in comparison to the 2008 scheme. Normal pension age is linked to the state pension age but benefits can be drawn earlier or later, between age 55 and 75. The normal retirement age is the age a member can access their pension in full; if it is accessed before that date benefits will usually be reduced and if accessed after normal retirement age benefits may increase. All service built up to 31 March 2014 in the LGPS is fully protected and will continue to be based on a member's final year annual pay when the individual leaves the LGPS (2008 scheme).

Benefits built up before April 2014 also retain their protected Normal Pension Age, which for most members is 65, although certain members have a retirement age of 60 for all or part of their membership.

There is an additional protection known as the 'underpin' for members who were active on 31 March 2012 and were within ten years of their Protected Normal Pension Age on 1 April 2012. These members will get a pension at least equal to the pension they would have received in the LGPS had it not changed on 1 April 2014, subject to meeting certain criteria.

In December 2018 the Court of Appeal ruled against the Government in two linked cases relating to the Judicial Pension Scheme and the Firefighters' Pension Schemes. This ruling is generally referred to as the McCloud judgment, or simply McCloud.

In essence, the Court held that the transitional protections afforded to older members of these schemes when their reformed schemes were introduced in 2015 constituted unlawful age discrimination.

The Government sought permission to appeal to the Supreme Court and it was announced on 27 June 2019 that the application had been refused.

A written ministerial statement followed on 15 July 2019 to confirm that, as transitional protection was provided in all public service schemes upon their reform, the McCloud judgment had implications for all those schemes, including the LGPS in England and Wales.

Primary legislation required in relation to the McCloud remedy has now been put in place as The Public Service Pensions and Judicial Offices Bill received Royal Assent in March 2022, becoming the Public Service Pensions and Judicial Offices Act 2022.

While there was a DLUHC consultation in 2020 on proposed amendments to the LGPS Regulations necessary to remedy the specific unlawful age discrimination in the LGPS, no actual amendments have been made as yet. A consultation took place in Summer 2022 on the proposals to extend the current underpin to younger members and remove the requirement to have an immediate entitlement to benefits on leaving to qualify for underpin protection



# Scheme Administration (continued)

The below table compares the 2008 and the 2014 schemes.

	LGPS 2008	LGPS 2014
<b>Basis of Pension</b>	Final Salary	Career Average Revaluated Earnings (CARE)
<b>Accrual Rate</b>	1/60 <sup>th</sup>	1/49 <sup>th</sup>
<b>Revaluation Rate</b>	Based on Final Salary	Consumer Prices Index (CPI)
<b>Pensionable Pay</b>	Pay excluding non contractual overtime and non pensionable additional hours	Pay including non-contractual overtime and additional hours
<b>Employee Contribution Rates</b>	Between 5.5% and 7.5%	Between 5.5% and 12.5%
<b>Contribution Flexibility</b>	No	Option to pay 50% contributions for 50% of pension benefit
<b>Normal Pension Age</b>	65	Equal to individuals state pension age
<b>Lump Sum Trade Off</b>	Trade £1 of pension for £12 lump sum	Trade £1 of pension for £12 lump sum
<b>Death in Service Lump Sum</b>	3 x Pensionable Pay	3 x Pensionable Pay
<b>Death in Service Survivor Benefits</b>	1/160 <sup>th</sup> accrual based on Tier 1 ill health pension enhancement	1/160 <sup>th</sup> accrual based on Tier 1 ill health pension enhancement
	Tier 1 – Immediate payment with service enhanced to Normal Pension Age (65)	Tier 1 – Immediate payment with service enhanced to Normal Pension Age
<b>Ill Health Provision</b>	Tier 2 – Immediate payment with 25% service enhancement to Normal Pension Age (65)	Tier 2 – Immediate payment with 25% service enhancement to Normal Pension Age
	Tier 3 – Temporary payment of pension for up to 3 years	Tier 3 – Temporary payment of pension for up to 3 years
<b>Indexation of Pension in Payment</b>	CPI (RPI for pre-2011 increases)	CPI
<b>Vesting Period</b>	3 months	2 years

# Scheme Administration (continued)

## Pension Committee and Local Pension Board Membership

The following table shows the attendance of Committee and Board members at applicable Pension Committee, Investment Sub-Committee and Local Pension Board meetings during 2022-23, training undertaken in year, including; Training days, Conferences and Strategic Workshops.

Councillor/Member Name	Committee/Board	Meetings Attended	Training Undertaken (In person and virtual)
Cllr Longley	Pension Committee	5 meetings out of 5	6 sessions attended
	Investment Sub Committee	4 meetings out of 4	
Cllr Morton	Pension Committee	5 meetings out of 5	7 sessions attended
	Investment Sub Committee	3 meetings out of 4	
Cllr Bignell	Pension Committee	3 meetings out of 5	5 sessions attended
	Investment Sub Committee	3 meetings out of 4	
Cllr Russell	Pension Committee	1 meeting out of 5	1 session attended
	Investment Sub Committee	2 meetings out of 4	
Cllr Lawman	Pension Committee	5 meetings out of 5	7 sessions attended
	Investment Sub Committee	4 meetings out of 4	
Robert Austin	Pension Committee	4 meetings out of 5	6 sessions attended
	Investment Sub Committee	2 meetings out of 4	
Peter Borley-Cox	Pension Committee	3 meetings out of 5	4 sessions attended
	Investment Sub Committee	3 meetings out of 4	
Cllr Joyce	Pension Committee	3 meetings out of 5	3 sessions attended
Cllr Matten	Pension Committee	4 meetings out of 5	4 sessions attended
Cllr Lane	Pension Committee	3 meetings out of 5	3 sessions attended
Cllr Bunday	Pension Committee	2 meetings out of 5	1 session attended
Paul Wheeler	Pension Committee	2 meetings out of 2 (appointed Nov22)	4 sessions attended
John Wignall	Pension Committee	1 meeting out of 4 (resigned Mar23)	3 sessions attended
Cllr Pritchard	Local Pension Board	2 meetings out of 4	2 sessions attended
Cllr Weatherill	Local Pension Board	4 meetings out of 4	2 sessions attended
Julie Petrie	Local Pension Board	4 meetings out of 4	3 sessions attended
Kev Standishday	Local Pension Board	4 meetings out of 4	1 session attended
Alicia Bruce	Local Pension Board	4 meetings out of 4	3 sessions attended
Katy Downes	Local Pension Board	3 meetings out of 4	1 session attended
Andy Langford (substitute)	Pension Committee	2 meetings out of 5	

# Scheme Administration (continued)

## Policies and Strategy Statements

Information about the Fund's policies and procedures can be found on the Fund's website:

[Northamptonshire Pension Fund Key Documents](#)

### The following policies were in place during the financial year

- Administering Authority Discretions
- Administration Strategy
- Admitted Bodies Scheme Employers and Bulk Transfers Policy
- Annual Business Plan & Medium Term Strategy
- Anti-Fraud and Corruption Policy
- Cambridgeshire Pension Fund Training Strategy
- Cash Management Strategy
- Cessations Policy
- Climate Action Plan
- Communications Plan
- Communications Strategy
- Data Improvement Policy and Plan
- Employer Data Retention Policy
- Funding Strategy Statement
- Governance Policy and Compliance Statement
- Investment Strategy Statement
- Overpayment of Pension Policy
- Payment of Pension Contributions Policy
- Reporting Breaches of the Law to the Pensions Regulator Policy
- Risk Register
- Risk Strategy
- The Fund also has a Cyber Strategy, however this is not published due to its sensitive nature

### Statement/Policy Changes in 2022-23

The following strategies and policies have been reviewed and updated accordingly in 2022-23:

- Administering Authority Discretions
- Annual Business Plan and Medium-Term Strategy
- Anti-Fraud and Corruption Policy
- Cessations Policy
- Climate Action Plan
- Communications Plan
- Communications Strategy
- Conflicts of Interest Policy
- Data Improvement Policy
- Data Improvement Plan
- Funding Strategy Statement
- Investment Strategy Statement
- Overpayment of Pension Policy
- Reporting Breaches of the Law to the Pensions Regulator
- Risk Register
- Risk Strategy

# Management and Financial Performance

## The Team

The Pensions Service is based in Northampton and consists of the following teams:

- Accounting** – record and reconcile contributions paid into the Fund and accounts for fund expenses. Provide financial monitoring and reporting of functions such as debt management and cash requirements and investment accounting.  
 Email: [PenContributions@westnorthants.gov.uk](mailto:PenContributions@westnorthants.gov.uk)
- Employers** – contact point for employers of the scheme and those wanting to join. Deliver training sessions to employers and payroll providers covering the systems available to assist them to participate efficiently in the Fund.  
 Email: [PenEmployers@westnorthants.gov.uk](mailto:PenEmployers@westnorthants.gov.uk)
- Governance** – support all Committees in governing the Fund effectively, develop and monitor policies and practices to improve data quality and ensure regulatory compliance.  
 Email: [Pensions@westnorthants.gov.uk](mailto:Pensions@westnorthants.gov.uk)
- Investments** – oversee the governance of Fund assets and support the Investment Sub-Committee.  
 Email: [PenInvestments@westnorthants.gov.uk](mailto:PenInvestments@westnorthants.gov.uk)
- Operations** – maintain member records, calculate benefits and pensions payable.  
 Email: [Pensions@westnorthants.gov.uk](mailto:Pensions@westnorthants.gov.uk)
- Projects** – is responsible for delivering a wide range of projects that are required to be delivered across the service.  
 Email: [PenProjects@westnorthants.gov.uk](mailto:PenProjects@westnorthants.gov.uk)
- Systems** – ensure internal systems are operating efficiently and provide support to maintaining accurate member records.  
 Email: [PenSystems@westnorthants.gov.uk](mailto:PenSystems@westnorthants.gov.uk)

## Complaints

Should you have a complaint about the service, we will do our best to put things right. To access support, please email [Pensions@westnorthants.gov.uk](mailto:Pensions@westnorthants.gov.uk), telephone 01604 366537, or write to:

Pensions Service, West Northamptonshire Council, The Guildhall, St Giles Square, Northampton, NN1 1DE

## Appeals

The LGPS regulations provide Internal Dispute Resolution Procedures (IDRP), details of which can be accessed via [the website](#).

Stage 1 disputes are decided by Head of Pensions if the complaint concerns an administering authority decision, or by an adjudicator appointed by the Employer if an Employer decision.

At Stage 2, the complaint is considered by West Northamptonshire Council’s Monitoring Officer, and if the complainant is still unhappy with the decision they may formally refer the case to The Pensions Ombudsman.

At any stage a scheme member may contact The Pensions Ombudsman for assistance with their complaint, but for a formal complaint to be raised with them both Stages of the IDRP would normally need to be completed first. More information can be found on [The Pensions Ombudsman website](#).

The following formal disputes have arisen and/or been resolved during the year:

Nature of dispute	Stage 1	Stage 2
Pension Credit member quoted max conversion options on Member Self-Service when option not available.	Partially Upheld	Not Upheld
Refusal to pay survivor’s pension to co-habiting partner.	Not Upheld	N/A
Challenging payments of death grant.	Not Upheld	In Progress
Delays in paying pension and AVCs causing anguish and inconvenience.	Upheld	Not Upheld
Challenging refusal to pay NCC Deferred Benefit early on ill health grounds.	Not Upheld	In Progress
Refusal to allow transfer of AVCs to an alternative arrangement	In Progress	

# Management and Financial Performance (continued)

## Managing Decision Making

West Northamptonshire Council has established a Pension Committee (PC) and Investment Sub-Committee (ISC) having strategic and operational investment decision making powers, respectively.

Membership of both bodies consist of elected members, and non-elected employer and scheme member representatives. All members of the ISC sit on the PC.

The PC's business covers all Fund matters with the exception of non-strategic investment issues, which are delegated to the ISC. Officers across the operations, investment, transactions, corporate and governance functions support the PC and ISC as required. All meetings of the PC and ISC are duly minuted.

PC members and ISC members are required to attain a desired level of skills and knowledge, to ensure decisions being made on behalf of West Northamptonshire Council Pension Fund are made with full understanding of the impact and therefore mitigating the risk of unfounded decisions.

The Committee members must at all times be conscious of their accountability to stakeholders. The PC is responsible for determining the nature and extent of any significant risks taken on by the Administering Authority in the pursuit of its strategic objectives. Risk management should be dynamic and comprehensive, considering operational, reputational and environmental, social and governance (ESG) risks in addition to financial risks.

The Northamptonshire Full Council acknowledged the establishment of the ACCESS Joint Committee (AJC) delegating powers to this body in response to the Government's pooling agenda. The Chairman of the PC represent the Fund on the AJC, supported by Fund officers working in the ACCESS Officers Working Group (OWG).

The Local Pension Board (LPB) was established on 1 April 2015, providing an additional layer of governance for the Fund. The LPB is non-decision making but has the responsibility of assisting the Administering Authority to:

- Secure compliance with the Local Government Pension Scheme (LGPS) regulations and other legislation relating to the governance and administration of the LGPS and also the requirements imposed by the Pensions Regulator in relation to the LGPS; and
- Ensure the effective and efficient governance and administration of the LGPS.

The LPB has provided a separate annual report of its activities to Council for this financial year.

# Management and Financial Performance (continued)

## Risk Management

The Northamptonshire Pension Fund has both a risk strategy and a risk register in place to identify, evaluate, mitigate and monitor risks associated with the activities that the Fund carries out. Risk is managed through regular reporting to both the Pensions Committee and Local Pension Boards which have appropriate authorisation from the West Northamptonshire Council's Monitoring Officer and Section 151 Officer. This ensures that risks are integrated within the governance structure of West Northamptonshire Council and all follow a consistent approach.

Identified risks are recorded in the Risk Register, a copy of which can be found at: [Risk Register](#)

The aim of the Risk Register is to ensure that an informed decision can be made on whether a risk can, or should be accepted. Risk appetite is informed by an understanding of any existing controls and will also be influenced by the expected reward or outcome. Once risks have been identified the Fund assesses the impact and likelihood of a risk to enable effective decision making.

Risks recorded in the Risk Register are linked and managed in line with the Pension Fund objectives to ensure relevance and are reviewed by the Pension Committee twice a year and the Local Pension Board quarterly. New risks are therefore identified promptly and current risks are monitored on a regular basis, with risk ratings revised where necessary. The accompanying Risk Strategy is reviewed on an annual basis to ensure it remains relevant to support the Risk Register.

Third party risks are managed through the Risk Register and associated policies, such as the Payment of Pension Contributions Policy. Mitigations are put in place to minimise third party risks and, in particular, the risks associated with Scheme Employers and effective covenant monitoring.

## Investment Risk

The Fund's Investment Strategy Statement, which is reviewed annually, sets out the Fund's investment strategy which incorporates evaluation of key investment risks.

In addition the Statement of Accounts section of this document, provides further information about Investment risks and how they apply to the Investment Assets held by the Fund.

There are many risks inherent in investments. The Fund addresses these in the following ways:

**Market Risk** – investments will reduce in value due to fluctuations in prices, interest rates, exchange rates and credit spreads.

The Fund invests in different markets across the world and in different types of investment to reduce the risk of the portfolio reducing in value due to adverse market conditions and to smooth returns.

**Price Risk** – investments may be incorrectly valued due to price fluctuations or estimates used in pricing.

Investments are valued at published prices, where available. Investments that are not sold on a market are valued by specialist Investment Managers. Notes 16, 17 and 18 in the Statement of Accounts gives information about how investments are valued and gives an indication of the value of investments subject to an element of estimation.

At year end all Investment Managers, including Link Fund Solutions who are the operator of the ACCESS pool ([page 27](#)), are required to provide ISAE 3402 (Service Organization Control Reports) which are made available to external audit.

## Risk Assurance

The objective of an internal audit is to educate management and employees about how they can improve business operations and efficiencies while giving reliability and credibility to the financial reports that go to Pension Committee and the Local Pension Board. Internal audit awarded the Fund substantial assurance following its testing within the year.

# Management and Financial Performance (continued)

## Financial Performance

The financial performance of the Fund is monitored against budgeted performance on a regular basis throughout the year by the Pension Fund Committee.

Performance Indicators	2022-23	2022-23
	Budget	Actual
	£000	£000
Contributions	-120,000	-130,100
Transfers in from other funds	-8,500	-16,937
<b>Total Income</b>	<b>-128,500</b>	<b>-147,037</b>
Benefits payable	108,000	105,500
Payments to and for leavers	8,500	10,648
<b>Total Benefits</b>	<b>116,500</b>	<b>116,148</b>
<b>Surplus of contributions over benefits</b>	<b>-12,000</b>	<b>-30,889</b>
Management Expenses		
Administrative Costs	2,331	2,483
Investment Management Expenses (Invoiced)	480	276
Investment Management Expenses (Non-Invoiced)	0	12,945
Oversight and Governance Costs	834	911
<b>Total Management Expenses</b>	<b>3,645</b>	<b>16,615</b>
<b>Total Income less Expenses</b>	<b>-8,355</b>	<b>-14,274</b>
Investment Income	-26,000	-34,027
Taxes on Income	0	0
(Profit)/loss on disposal and changes in market value of investments	-127,000	173,661
<b>Net return on investments</b>	<b>-153,000</b>	<b>139,634</b>
<b>Net (increase)/decrease in assets during the year</b>	<b>-161,355</b>	<b>125,360</b>

Management expenses per active member are shown below:

Cost Per Active Member	2021-22	2022-23
Active Members	23,868	23,949
	£	£
Administrative Cost	99.38	103.68
Investment Management Expenses	457.85	552.05
Oversight and Governance Costs	29.66	38.04

## Variance Analysis

- Contributions and benefits are in line with current membership numbers.
- Transfers in and payments out are demand led.
- Investment Management expenses budget is understated as this does not include a forecast for non-invoiced expenses which are pooled fees deducted from market value. This will be included in the 2023-24 budget.
- The 2022-23 budget for profit/loss on disposal and changes in market value of investments assumed the actuaries target would be achieved. The actual market experience is explained in the independent investment advisors report ([page 39](#)).

Details of non-investment assets and liabilities of the Fund can be found in the Statement of Accounts in Notes 21 to 22.

# Management and Financial Performance (continued)

## Performance Indicators

The Fund has developed a number of Key Performance Indicators (KPIs) to monitor service delivery, these KPIs are reviewed internally on a monthly basis to monitor and inform where delivery is met or remedial action is required. The Pension Fund Committee receives quarterly performance updates within a Business Plan update.

The below table shows the number and trend of the top 7 types of scheme administration cases demonstrating both workload and efficiency in meeting internal KPI and external legal requirements.

	Cases completed in the year	Cases completed within KPI target	% of Cases completed within KPI target
<b>Deaths</b> – initial letter acknowledging death of member <i>KPI: 5 working days, Legal requirement: 2 months</i>	536	536	100
<b>Deaths</b> – letter notifying amount of dependant’s pension <i>KPI: 5 working days, Legal requirement: 2 months</i>	330	329	99
<b>Estimates</b> – letter notifying estimate of retirement benefits to employee <i>KPI: 15 working days, Legal requirement: 2 months</i>	469	433	92
<b>Retirements</b> – process and pay pension benefits on time <i>KPI: 5 working days, Legal requirement: 2 months</i>	370	343	93
<b>Deferment</b> – calculate and notify deferred benefits <i>KPI: 15 working days, Legal requirement: N/A</i>	2,197	2,103	96
<b>Transfers in</b> – Letter detailing transfer in (actual) <i>KPI: 10 working days, Legal requirement: 2 months</i>	258	253	98
<b>Transfers out</b> – letter detailing transfer out (quote) <i>KPI: 10 working days, Legal requirement: 3 months</i>	488	485	99



# Management and Financial Performance (continued)

## Contributions

The Fund works closely with employers to collect contributions on time.

The following table shows the amount of regular employee and employer contributions paid during the year and the value and percentage of which were paid both on time and after the deadline of the 19th day of the month following deduction.

Contributions	Total Paid in 2022-23 £000	Total Paid On Time £000	% Paid On Time	Total Paid Late £000	% Paid Late
Employer	103,236	103,104	99	132	1
Employee	26,864	26,826	99	38	1
<b>Total</b>	<b>130,100</b>	<b>129,930</b>	<b>99</b>	<b>170</b>	<b>1</b>

The Fund did not apply any additional charges or levies in respect of contributions received late, and no reports were made to The Pensions Regulator in respect of late contributions during the year.

## Recovery of Overpayments of Pension

The Fund participates in the National Fraud Initiative which is a biennial process undertaken in conjunction with the Audit Commission. The necessary recoveries arising from identified overpayments are being pursued.

Annual Pensioner Payroll (£) <sup>1</sup>	88,385,162
Total write off amount (£)	212,053
Write offs amount as % of payroll	0.24

<sup>1</sup>Excludes additional pension awarded by the employer.

The following tables show the analysis of pension overpayments that occurred during the last five years:

Year	Overpayment £	Recovered/in progress £	Written Off £
2018-19 <sup>2</sup>	516,269	379,396	136,873
2019-20	136,830	47,180	89,650
2020-21	45,998	5,297	40,701
2021-22	11,326	9,481	1,845
2022-23 <sup>3</sup>	262,560	50,507	212,053

<sup>2</sup>Overpayments in 2018-19 and 2019-20 appear particularly high, as in addition to usual activity, the Fund undertook a significant reconciliation project during the year in which a number of overpayments were identified.

<sup>3</sup>Overpayments in 2022-23 are high, as in addition to usual activity, the Fund undertook a Guaranteed Minimum Pe (GMP) rectification project. Overpayments identified as a result of incorrect or non-application of the GMP are automatically written off without authorisation, unless the member could have known that their pension was being paid incorrectly as a result of the non or misapplication of GMP.

Overpayments identified with a value of under £250 are automatically written off, in line with the Fund's Overpayments Policy.

# Management and Financial Performance (continued)

## Contributors to the Fund

Active Employers as at 31 March 2023

Type Of Body	Number of Active Employers
<b>Administering (AA)</b>	<b>1</b>
<b>Scheduled (S)*</b>	<b>261</b>
<b>Admitted (Ad)</b>	<b>64</b>
<b>Total</b>	<b>326</b>

\*LEA schools are included within Scheduled Bodies but not in the above figures as they belong to their responsible local authorities, and in the table below they are shown in the Body column as S\*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Abbey CofE Acad (Daventry)	2,430	8,095	10,525		S
Abbeyfield School	61,639	181,214	242,853		S
Abington Vale Primary School	34,188	114,670	148,858		S
ABM (St Mary's CE Primary)	735	4,426	5,161		Ad
ABM Catering (Duston Eldean Primary School)	844	3,927	4,771		Ad
ABM Catering (Lyncrest Primary)	526	2,448	2,974		Ad
ABM Catering Limited (Innovate MAT)	571	2,002	2,573	Y	Ad
ABM Catering Limited - 2016 PDET	2,664	11,916	14,580		Ad
ABM Catering Limited (2018 PDET)	633	2,545	3,178		Ad
ABM Catering Limited (Montsaye Academy)	2,917	9,810	12,727		Ad
Action for Children (Daventry)	42	183	225	Y	Ad
Alfred Street Junior School (NNC)	6,256	28,759	35,015		S*
All Saints CofE VA Primary School (WNC)	34,128	155,096	189,224		S*
Alliance in Part' (Magdalen C)	94	724	818		Ad
AMEY Limited	11,745	35,229	46,974		Ad
Ashby Fields Primary School	25,446	97,902	123,348		S
Ashton CofE Primary School (WNC)	3,841	17,591	21,432		S*
Aspens - DSLV Academy (Dantre & Southbrook)	2,002	12,683	14,685		Ad

The table to the left, shows the number of employers in the Fund as at 31 March 2023. The breakdown of contributions by employer shown in the table below will show a different number of employers when compared to the left, as employers joined and left the fund throughout the year. An active or ceased column has been added to show this movement. Where contributions exist for ceased employers, these represent prior year adjustments that have been made within 2022-23, or contribution receipts recorded within the period.

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Badby School	12,613	43,770	56,383		S
Balfour Beatty-St Lighting	3,847	8,519	12,366		Ad
Barby & Olney Parish Council	196	3,821	4,017	Y	S
Barby Academy	4,906	14,203	19,109		S
Barry Road Primary (WNC)	29,083	129,568	158,651		S*
Barton Seagrave Primary School (NNC)	40,864	186,241	227,105		S*
Beanfield Primary School	64,638	202,956	267,594		S
Billing Brook Academy	93,244	293,921	387,165		S
Birkin Cleaning Services (Elizabeth Woodville)	4,974	33,819	38,793		Ad
Bishop Stopford Academy	69,252	222,999	292,251		S
Blackthorn Primary (Academy)	23,327	74,678	98,005		S
Blakesley CE Primary	5,520	26,105	31,625		S
Blisworth Community Primary School (WNC)	9,067	40,376	49,443		S*
Boddington C of E Primary Academy	4,347	17,072	21,419		S
Boothville Primary School (WNC)	47,768	221,234	269,002		S*
Boughton Primary Academy	11,027	35,804	46,831		S
Bozeat Community Primary Academy	8,605	36,708	45,313		S
Brackley Church of England Junior School (WNC)	12,280	55,564	67,844		S*

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Brackley Town Council	25,413	103,720	129,133		S
Brambleside Primary School	20,447	85,282	105,729		S
Braunston Academy	15,348	39,443	54,791		S
Briar Hill Primary Academy	17,677	58,750	76,427		S
Bridgewater Primary School (WNC)	46,176	208,284	254,460		S*
Brightr Ltd (Braunston Primary School)	287	1,045	1,332		Ad
Brigstock Latham's CE Primary School (NNC)	4,784	22,265	27,049		S*
Brington Primary school (WNC)	6,833	30,145	36,978		S*
Brixworth CEVC Primary Sch. (WNC)	31,927	143,377	175,304		S*
Brixworth Parish Council	1,372	5,244	6,616		S
Brooke Weston Academy	153,573	436,616	590,189		S
Broughton Primary School (NNC)	14,209	63,780	77,989		S*
Buckton Fields Primary School	8,780	35,813	44,593		S
Bugbrooke Comm Primary Sch. (WNC)	19,655	90,358	110,013		S*
Byfield Academy	10,188	37,409	47,597		S
Campion School	72,824	226,833	299,657		S
Camrose Early Years Centre Children and Families (WNC)	28,304	123,729	152,033		S*
Caroline Chisholm (Academy)	103,110	323,750	426,860		S
Castle Primary Academy	33,814	120,409	154,223		S
Caterlink (The Grange)	545	1,990	2,535		Ad
Caterlink Ltd (Eastfield Academy)	170	669	839		Ad
Cedar Road Primary (Academy)	12,786	44,927	57,713		S
Chacombe CEVA Primary Academy	7,993	29,382	37,375		S
Chenderit School (Academy)	38,721	126,760	165,481		S
Chiltern Primary School (WNC)	20,781	95,980	116,761		S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Chipping Warden Primary Academy	6,647	28,812	35,459		S
Cleantec (Chenderit School)	2,105	7,502	9,607		Ad
Cleantec (The Parker E-ACT)	3,977	12,728	16,705		Ad
Cleantec Services (Grange Primary)	333	1,732	2,065		Ad
Clipston Primary (WNC)	6,931	32,000	38,931		S*
Cogenhoe Primary School	6,926	36,286	43,212		S
Collingtree C of E Primary School	6,329	17,034	23,363		S
Compass (The Abbey Primary School & Standens Barn Primary School)	507	2,361	2,868	Y	Ad
Compass Contract Services (Fairfields School)	42	197	239		Ad
Coombs Catering (Thomas Beckett Catholic Academy)	2,374	10,424	12,798		Ad
Corby Business Academy	75,979	234,360	310,339		S
Corby Old Village Sch (NNC)	15,033	68,518	83,551		S*
Corby Primary Academy	37,979	130,891	168,870		S
Corby Technical School	57,612	174,088	231,700		S
Corby Town Council	3,771	16,676	20,447		S
Cosgrove Village Primary (WNC)	7,024	32,691	39,715		S*
Cottingham CofE Primary Academy	8,639	22,991	31,630		S
Cranford CoE Academy	6,946	18,393	25,339		S
Crick Primary School (WNC)	11,266	50,915	62,181		S*
Croughton All Saints CE Primary (WNC)	6,941	30,635	37,576		S*
Croyland Nursery (NNC)	23,283	99,618	122,901		S*
Croyland Primary (Well'boro) (NNC)	45,099	204,515	249,614		S*
Cucina Restaurants (Elizabeth Woodville School)	3,267	12,703	15,970		Ad
Culworth C of E Primary Academy	6,893	29,144	36,037		S
Danesholme Infants Academy	18,772	74,715	93,487		S

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Danesholme Junior Academy	17,371	82,477	99,848		S
Daventry Hill School	71,419	218,203	289,622		S
Daventry Norse Limited	23,076	101,612	124,688		Ad
Deanshanger Parish Council	1,385	6,072	7,457		S
Deanshanger Primary (WNC)	22,761	102,409	125,170	Y	S*
Deanshanger Primary School	2,108	9,458	11,566		S
Delapre Primary School (WNC)	39,342	177,208	216,550		S*
Denfield Park Primary (NNC)	30,359	137,751	168,110		S*
Denton Primary School (WNC)	12,330	55,370	67,700		S*
Desborough Town Council	2,235	8,733	10,968		S
DSL V E-ACT Academy	39,514	127,900	167,414		S
Duston Eldean Primary (WNC)	31,967	145,292	177,259		S*
Duston Parish Council	8,011	30,778	38,789		S
Earl Spencer Primary School (WNC)	29,030	131,954	160,984		S*
Earls Barton Parish Council	1,756	7,668	9,424		S
Earls Barton Primary School (NNC)	29,494	135,662	165,156		S*
East Haddon CE Primary School (WNC)	4,303	19,831	24,134		S*
East Hunsbury Parish Council	6,026	18,860	24,886		S
East Hunsbury Primary Academy	37,952	149,653	187,605		S
Eastfield Academy	10,714	35,479	46,193		S
Easy Clean (Campion Sch)	2,377	8,254	10,631		Ad
Easy Clean Contractors Limited (St Thomas More Catholic Primary)	242	1,146	1,388		Ad
Easy Clean Contractors Ltd (St Brendan Pri)	466	3,506	3,972		Ad
Ecton Brook Primary (Academy)	55,417	183,211	238,628		S
Ecton Village Academy	4,356	16,769	21,125		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Elizabeth Woodville Academy	50,133	186,283	236,416		S
emPSN Services Ltd (pre. EMBC)	25,941	55,355	81,296		Ad
Enterprise Managed Services Ltd	-	77,046	77,046	Y	Ad
Exeter - a learning community	43,234	137,772	181,006		S
Fairfields Special (WNC)	74,140	334,532	408,672		S*
Falconers Hill Academy	9,769	35,878	45,647		S
Falconers Hill Infant School	16,687	64,079	80,766		S
Farthinghoe Primary School	3,416	12,798	16,214		S
Finedon Infants School	11,894	45,047	56,941		S
Finedon Mulso CEVA Junior School	10,192	38,982	49,174		S
Finedon Town Council	1,303	6,213	7,516		S
Flore Church of England Primary School (WNC)	8,071	36,555	44,626		S*
Freemans Endowed Church of England Junior School	19,842	49,440	69,282		S
Fresh Start Catering Limited	639	2,820	3,459		Ad
Friars Academy	55,877	187,498	243,375		S
Futures Housing Group	26,361	311,707	338,068		Ad
Gateway School (WNC)	27,426	120,965	148,391		S*
Gayton Church Of England Primary School (WNC)	8,491	38,830	47,321		S*
Geddington CE Primary School (NNC)	13,606	61,482	75,088		S*
Glaphorn Church of England Primary School	4,757	17,536	22,293		S
Gloucester Nursery School (WNC)	11,100	49,045	60,145		S*
Grand Union Housing Group	68,748	344,407	413,155		Ad
Grange Park Parish Council	2,076	8,030	10,106		S
Grange Primary Academy	20,055	71,555	91,610		S

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Great Addington CEVA Academy	5,184	13,207	18,391		S
Great Doddington Primary (NNC)	6,381	29,468	35,849		S*
Greatwell Homes	30,218	21,396	51,614		Ad
Greatworth Primary School (WNC)	1,989	9,156	11,145		S*
Green Oaks Academy	17,002	69,434	86,436		S
Greenfields Primary School and Nursery	26,281	87,786	114,067		S
Greenfields Spec Sch for Comm	47,574	158,376	205,950		S
Greens Norton Primary School	12,538	33,545	46,083		S
Grendon CE Primary School (NNC)	13,509	34,598	48,107		S*
Gretton Primary School	7,841	26,065	33,906		S
GSO Limited (Prince William and Stimpson Avenue)	1,713	6,991	8,704		Ad
Guilborough CEVA Primary School	9,706	25,895	35,601		S
Guilborough School (Academy)	60,405	193,159	253,564		S
Hackleton CofE Aided Primary School (WNC)	10,014	44,757	54,771		S*
Hall Meadow Primary School	26,893	81,777	108,670		S
Hardingstone Academy	14,315	47,487	61,802		S
Harlestone Primary School (WNC)	5,014	23,336	28,350		S*
Harpole Primary School (WNC)	8,918	40,343	49,261		S*
Hartwell Primary (Academy)	10,549	35,096	45,645		S
Havelock Infants	17,853	66,864	84,717		S
Havelock Junior	20,594	77,351	97,945		S
Hawthorn Community Primary	17,803	65,404	83,207		S
Hayfield Cross CofE School (NNC)	20,521	93,819	114,340		S*
Hazel Leys Primary & Nursery School	20,089	89,921	110,010		S
Headlands Primary (Academy)	60,097	194,371	254,468		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Helmdon Primary School (WNC)	4,935	22,343	27,278		S*
Henry Chichele Primary School (NNC)	25,599	117,889	143,488		S*
Higham Ferrers Junior School (NNC)	22,413	100,332	122,745		S*
Higham Ferrers Nur & Inf sch (NNC)	20,750	93,084	113,834		S*
Higham Ferrers Town Council	3,054	11,406	14,460		S
Highfield Nursery (NNC)	11,716	51,341	63,057		S*
Hopping Hill Primary (WNC)	27,601	123,345	150,946		S*
Hospital and Outreach Education PRU	21,748	84,719	106,467		S
Hunsbury Park Primary (WNC)	29,612	131,764	161,376		S*
Huxlow Academy	51,731	194,068	245,799		S
IDVerde	38,173	7,332	45,505		Ad
Innovate Services Ltd (Campion School)	2,701	8,640	11,341		Ad
Irchester Primary	24,160	100,181	124,341		S
Irthlingborough Junior School	29,275	108,013	137,288		S
Irthlingborough Nursery & Infants School	20,864	79,237	100,101		S
Irthlingborough Town Council	9,851	40,074	49,925		S
Isebrook School	132,253	415,441	547,694		S
Isham CE Primary Academy	7,456	22,121	29,577		S
John Hellins Primary School (WNC)	17,241	79,566	96,807		S*
Just Ask Estate Services Limited	7,048	25,369	32,417		Ad
Kettering Buccleuch Academy	94,066	275,103	369,169		S
Kettering Park Infants Academy	14,470	70,068	84,538		S
Kettering Park Junior Academy	21,670	80,001	101,671		S
Kettering Science Academy (including Compass Primary)	109,977	342,369	452,346		S
Kettering Town Council	1,171	4,866	6,037		S

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Kier (May Gurney Fleet & Passenger)	17,940	107,013	124,953	Y	Ad
Kier (MAY GURNEY Ltd)	11,471	24,125	35,596	Y	Ad
Kier (May Gurney Nordis)	16,435	60,322	76,757		Ad
Kier (North Northants)	25,582	62,064	87,646		Ad
Kier (West Northants)	6,021	16,687	22,708		Ad
Kilsby Academy	6,911	24,737	31,648		S
Kings Cliffe Endowed Primary School (NNC)	12,220	55,606	67,826		S*
Kings Heath Primary Academy	17,640	57,618	75,258		S
Kings Meadow School (WNC)	16,567	74,599	91,166		S*
Kings Sutton Primary Academy	9,269	34,793	44,062		S
Kingsley Primary School	21,436	81,740	103,176		S
Kingsley Special Academy	77,888	291,154	369,042		S
Kingsthorpe College	41,714	221,913	263,627		S
Kingsthorpe Grove P (WNC)	39,492	180,214	219,706		S*
Kingsthorpe Village Primary School (WNC)	14,072	64,071	78,143		S*
Kingswood Catering (Bridgstock Lathams)	549	2,557	3,106		Ad
Kingswood Catering (Little Harrowden Primary)	240	821	1,061	Y	Ad
Kingswood Primary Academy	20,433	86,507	106,940		S
Kingswood Secondary Academy	80,030	315,417	395,447		S
Kislingbury CE Primary Academy	7,282	21,365	28,647		S
Latimer Arts College (NNC)	56,978	244,470	301,448		S*
Legacy Leisure Ltd	1,047	5,710	6,757		Ad
Lings Primary (Academy)	24,388	78,244	102,632		S
Little Harrowden Community Primary School	11,375	38,328	49,703		S
Little Houghton CE Primary (WNC)	6,535	30,231	36,766		S*
Little Stanion Primary School (NNC)	21,431	93,617	115,048		S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Loatlands Primary Academy	29,365	108,809	138,174		S
Loddington CE Primary School	8,180	20,481	28,661		S
Lodge Park Academy	51,394	189,485	240,879		S
Long Buckby Infant School (WNC)	8,571	39,926	48,497		S*
Long Buckby Junior School (WNC)	15,512	70,953	86,465		S*
Lumbertubs Primary Academy	16,033	51,821	67,854		S
Lyncrest Primary School (WNC)	12,794	58,324	71,118		S*
Magdalen College (Academy)	74,799	296,036	370,835		S
Maidwell Primary School (WNC)	5,603	25,779	31,382		S*
Malcolm Arnold Academy	61,080	192,076	253,156		S
Malcolm Arnold Prep (DRET)	14,410	46,042	60,452		S
Manor School Sports College	117,497	257,112	374,609		S
Maplefields Academy	49,050	174,107	223,157		S
Mawsley Primary (NNC)	17,434	78,538	95,972		S*
Maxim Facilities Management Ltd	1,210	4,822	6,032		Ad
Meadowside Primary School (NNC)	29,618	132,550	162,168		S*
Mears Ashby C of E Endowed School	6,084	14,354	20,438		S
Middleton Cheney Academy	23,016	79,616	102,632		S
Millbrook Infant (NNC)	16,200	73,619	89,819		S*
Millbrook Junior School (NNC)	32,030	144,279	176,309		S*
Millway Primary School (WNC)	20,732	93,387	114,119		S*
Milton Parochial Primary School	6,644	20,928	27,572		S
Miquill South LTD (Whitefriars School)	167	777	944		Ad
Mitie Care & Custody Ltd	19,362	56,720	76,082		Ad
Monksmoor Park CE Primary School (WNC)	15,571	70,099	85,670		S*
Montsaye Academy	72,263	216,925	289,188		S

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Moulton College	239,751	852,008	1,091,759		S
Moulton Parish Council	11,061	40,919	51,980		S
Moulton Primary School (WNC)	39,733	180,854	220,587		S*
Moulton School and Science College	74,074	231,367	305,441		S
Naseby CE Primary	3,592	13,468	17,060		S
Nassington School (NNC)	5,169	23,127	28,296		S*
Newbottle and Charlton CEVA Primary School (WNC)	7,526	34,916	42,442		S*
Newnham Primary Academy	5,229	21,368	26,597		S
Newton Road School	14,243	48,358	62,601		S
Nicholas Hawksmoor Primary School	74,402	278,345	352,747		S
North Northants Council	4,717,692	20,337,313	25,055,005		S
Northampton Academy	103,832	301,213	405,045		S
Northampton College	388,013	1,528,017	1,916,030		S
Northampton High School	19,701	131,032	150,733		Ad
Northampton International Academy	92,725	325,848	418,573		S
Northampton Partnership Homes Ltd	600,376	3,154,576	3,754,952		S
Northampton School for Boys	93,953	292,625	386,578		S
Northampton School for Girls Academy	58,577	232,053	290,630		S
Northampton Theatres Trust Ltd	12,542	110,376	122,918		Ad
Northampton Town Council	20,507	72,055	92,562		S
Northamptonshire Carers	6,151	22,647	28,798		Ad
Northamptonshire Children's Trust	2,182,132	6,491,067	8,673,199		S
Northamptonshire County Council	-	11,773	11,773	Y	AA (pre Apr21)
Northamptonshire Fire & Rescue Service	127,663	343,364	471,027		S
Northamptonshire Sport	33,895	81,634	115,529		Ad

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Northants Chief Constable	2,034,800	6,348,554	8,383,354		S
Northants Music & P/A Trust	3,838	-	3,838		Ad
Northants Police & Fire Crime Commissioner	161,620	364,396	526,016		S
Northgate Sch Arts (Academy)	117,137	375,509	492,646		S
NSL LTD	880	-	880	Y	Ad
Oakley Vale Primary School	21,286	67,510	88,796		S
Oakway Academy	23,008	97,632	120,640		S
Old Stratford Primary School	11,111	44,931	56,042		S
Olympic Primary School Academy	21,968	80,398	102,366		S
Oundle CE Primary School	24,484	62,928	87,412		S
Oundle Town Council	4,113	16,188	20,301		S
Our Lady Immaculate Catholic Academies Trust HQ staff	21,158	56,225	77,383		S
Our Lady of Walsingham Catholic Primary School	23,050	79,639	102,689		S
Our Ladys Catholic Primary School	21,933	138,928	160,861		S
Overstone Primary School (WNC)	11,408	51,649	63,057		S*
Park Junior School (NNC)	21,783	103,456	125,239	Y	S*
Parklands Nursery School (WNC)	6,284	28,325	34,609		S*
Parklands Primary School	16,674	65,823	82,497		S
Parkwood Leisure Ltd (formerly The Castle Theatre)	1,186	4,250	5,436		Ad
Pathfinder Legal Services Ltd (WNC)	123,407	423,751	547,158		S
Pattishall Church of England Primary School (WNC)	8,938	41,054	49,992		S*
Paulerspury CoE Primary (WNC)	6,217	30,387	36,604	Y	S*
Pboro Diocese Ed. Trust (HQ)	84,626	150,873	235,499		S
Pen Green Centre for Children	98,581	385,200	483,781		S

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased Body
Pineham Barns Primary School (Free School)	17,445	56,453	73,898	S
Pitsford Primary School (WNC)	4,826	22,293	27,119	S*
Places For People Leisure Management Ltd	7,522	-	7,522	Ad
Polebrook CoE Primary School	4,446	20,814	25,260	S
Preston Hedge's Primary (Acade)	36,756	110,232	146,988	S
Prince William Academy	30,793	152,671	183,464	S
Priors Hall - A Learning Community	28,275	108,254	136,529	S
Prospects Services	10,222	-	10,222	Ad
Purple Oaks Academy	33,093	114,447	147,540	S
Pytchley Endowed CEVA Primary School	8,355	28,201	36,556	S
Queen Eleanor Primary Academy	14,832	51,277	66,109	S
Raunds Park Infant School	8,195	38,539	46,734	S
Raunds Town Council	9,192	37,575	46,767	S
Rectory Farm Primary Academy	16,537	59,455	75,992	S
Red Kite Academy	53,689	166,914	220,603	S
Redwell Primary School	32,084	163,654	195,738	S
Ringstead CofE Primary Academy	10,363	26,432	36,795	S
RM Education (Brooke Weston Academy)	25,084	96,978	122,062	Ad
Road Primary School (WNC)	18,270	83,902	102,172	S*
Rockingham Forest Trust	709	5,071	5,780	Ad
Rockingham Primary Academy	18,582	60,539	79,121	S
Ronald Tree Nursery School	16,033	70,620	86,653	S
Rothersthorpe CE Primary School (WNC)	3,800	16,834	20,634	S*
Rothwell Junior School	20,145	75,149	95,294	S
Rothwell Town Council	1,351	5,869	7,220	S
Rothwell Victoria Infants School	15,562	57,587	73,149	S
Rowan Gate Primary (NNC)	104,110	465,139	569,249	S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased Body
Rushden Academy	48,162	167,160	215,322	S
Rushden Primary Academy	24,604	79,492	104,096	S
Rushden Town Council	18,506	67,475	85,981	S
Rushton Primary Academy	6,324	23,908	30,232	S
Ruskin Infant and Nursery School	14,590	59,124	73,714	S
Ruskin Junior Academy	19,093	78,325	97,418	S
Shaw Healthcare	9,140	-	9,140	Ad
Silverstone CE Primary Academy	16,376	44,254	60,630	S
Silverstone UTC	29,683	82,878	112,561	S
Simon de Senlis Primary Academy	26,613	106,110	132,723	S
Sir Christopher Hatton Academy	87,397	267,919	355,316	S
South End Infant School (NNC)	22,189	100,876	123,065	S*
South End Junior Rushden (NNC)	21,249	96,935	118,184	S*
Southfield Primary Academy	11,514	44,977	56,491	S
Southfield School for Girls	57,529	216,561	274,090	S
Sponne School (Academy)	96,442	309,031	405,473	S
Sports & Leisure Management (Everyone Active)	1,344	3,914	5,258	Ad
Spratton CE Primary School	9,644	23,639	33,283	S
Spring Lane Primary School	27,255	90,251	117,506	S
St Andrews CEVA Primary School (WNC)	22,344	100,352	122,696	S*
St Andrews Primary Academy	28,340	65,715	94,055	S
St Barnabas	14,878	37,808	52,686	S
St Brendan's Catholic Primary School	14,609	69,068	83,677	S
St Edwards Catholic Primary	11,189	46,866	58,055	S
St Gregory's Catholic Primary School	19,566	77,616	97,182	S



# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
St James CE Primary School	56,231	136,526	192,757		S
St James Infant School	17,087	57,938	75,025		S
St Loy C of E Primary Academy	3,368	13,224	16,592		S
St Lukes CEVA Primary School Academy	27,390	77,242	104,632		S
St Marys Catholic Primary School	11,843	48,860	60,703		S
St Mary's Catholic Primary School (Aston-le-Walls) (WNC)	4,159	-	4,159		S*
St Mary's CEVA Pri Acad Kettering	22,272	81,851	104,123		S
St Mary's Pri Acad, Burton Latimer	18,131	44,521	62,652		S
St Patricks Primary (NNC)	17,612	79,499	97,111		S*
St Peters's C of E Academy	8,803	30,517	39,320		S
St Thomas More Catholic Primary School	12,725	58,251	70,976		S
Standens Barn Primary School	18,449	72,489	90,938		S
Stanion CoFE (Aided) Primary School (NNC)	6,360	29,507	35,867		S*
Stanton Cross Primary Sch	3,250	14,393	17,643		S
Stanwick Academy	9,430	40,293	49,723		S
Stanwick Parish Council	1,388	6,077	7,465		S
Staverton CoFE Pri Academy	9,774	29,978	39,752		S
Stimpson Avenue Primary Academy	20,009	77,162	97,171		S
Stoke Bruerne Church Of England School (WNC)	5,615	25,973	31,588		S*
Studfall Infant School & Nursery Academy	33,809	143,218	177,027		S
Studfall Junior School Academy	32,465	140,927	173,392		S
Sunnyside Primary (Academy)	13,827	53,790	67,617		S
Syresham St James C.E. Primary School and Nursery (WNC)	8,827	39,596	48,423		S*
Sywell CEVA Primary School	5,448	17,926	23,374		S
Taylor Shaw (Ferrers School)	3,268	12,834	16,102		Ad

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Tennyson Road Infant School (NNC)	12,054	51,351	63,405		S*
The Abbey Primary School	18,512	72,489	91,001		S
The Arbours Primary (Academy)	17,499	57,921	75,420		S
The Avenue Infants School (NNC)	17,899	82,286	100,185		S*
The Bliss Charity School (WNC)	10,653	46,603	57,256		S*
The Bramptons Primary School (WNC)	4,097	19,067	23,164		S*
The CE Academy	37,289	132,489	169,778		S
The Duston School (Academy)	83,761	258,356	342,117		S
The Ferrers School Academy	46,897	159,136	206,033		S
The Good Shepherd Catholic Primary School	17,171	81,387	98,558		S
The Grange School (WNC)	14,756	64,769	79,525		S*
The Parker E-ACT Academy	183,720	435,979	619,699		S
The Spires Academy	15,021	52,230	67,251		S
The University of Northampton	1,310,156	5,235,895	6,546,051		S
Thomas Becket Catholic School	37,226	171,415	208,641		S
Thorplands Primary (Academy)	20,707	70,776	91,483		S
Thrapston Primary (NNC)	38,227	173,058	211,285		S*
Thrapston Town Council	3,142	11,737	14,879		S
Tiffield Church of England Voluntary Aided Primary School (WNC)	3,287	15,301	18,588		S*
Titchmarsh Church of England Primary (NNC)	4,611	21,207	25,818		S*
Towcester CE Primary School (Acad)	28,065	86,493	114,558		S
Towcester Town Council	5,856	23,298	29,154		S
Trilogy Active Ltd	48,713	85,604	134,317		Ad
Trinity CE Primary School	8,695	23,970	32,665		S
Uni of Northampton Enterprises	26,392	-	26,392		Ad

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Upton Meadows	34,388	123,116	157,504		S
Upton Parish Council	1,031	4,090	5,121		S
Veolia UK Ltd	56,222	173,972	230,194		Ad
Vernon Terrace Primary (WNC)	25,836	115,667	141,503		S*
Victoria Primary Academy	27,435	91,230	118,665		S
Voice for Victims and Witnesses Ltd	17,768	48,303	66,071	Y	Ad
Walgrave Primary School (WNC)	9,551	43,599	53,150		S*
Wallace Road Nursery School (WNC)	6,293	27,960	34,253		S*
Warmington School (NNC)	7,497	34,524	42,021		S
Warwick Primary Academy	19,270	58,425	77,695		S
Waynflete Infants' (Academy)	8,767	42,380	51,147		S
Weavers Academy	79,723	293,618	373,341		S
Weedon Bec Parish Council	1,636	6,395	8,031		S
Weedon Bec Primary School	28,738	91,767	120,505		S
Weldon Primary Academy	15,274	49,399	64,673		S
Welford, Sibbertoft and Sulby Endowed School	5,547	17,034	22,581		S
Wellingborough Norse Limited	739	-	739	Y	Ad
Wellingborough Town Council	7,794	24,433	32,227		S
Welton C of E Primary (Academy)	7,865	26,060	33,925		S
West Haddon Endowed CE Primary (WNC)	18,486	84,835	103,321		S*
West Haddon Parish Council	2,062	9,521	11,583		S
West Northants Council	5,158,996	22,685,871	27,844,867		AA
Weston Favell Academy	71,680	246,088	317,768		S
Weston Favell CE Primary School	32,901	118,043	150,944		S
Whitefriars Primary School (NNC)	27,555	124,028	151,583		S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Whitehills Nursery School (WNC)	8,464	37,672	46,136		S*
Whitehills Primary (WNC)	24,658	113,905	138,563		S*
Whittlebury Church of England Primary School (WNC)	4,213	19,267	23,480		S*
Wilbarston Primary Academy	7,052	20,120	27,172		S
Wilby CE Primary School (NNC)	6,982	31,581	38,563		S*
Windmill Primary School	21,541	75,201	96,742		S
Wollaston Primary School	12,761	49,257	62,018		S
Wollaston School (Secondary)	71,279	290,001	361,280		S
Woodford CoFE Primary School	7,117	30,152	37,269		S
Woodford Halse CE Primary Academy	18,193	62,933	81,126		S
Woodland View Primary Academy	23,776	91,760	115,536		S
Woodnewton - a learning community	67,839	212,635	280,474		S
Woodvale Primary (Academy)	30,969	97,863	128,832		S
Wootton Parish Council	7,955	29,286	37,241		S
Wootton Park School	87,227	245,404	332,631		S
Wootton Primary (Academy)	24,723	82,980	107,703		S
Wren Spinney Community School	47,082	211,118	258,200		S
Wrenn School	82,331	299,374	381,705		S
WSP Management Services Ltd	13,245	-	13,245	Y	Ad
Yardley Gobion CE Primary School (WNC)	4,426	20,570	24,996		S*
Yardley Hastings Primary (WNC)	9,094	42,328	51,422		S*
Yelvertoft Primary School (WNC)	7,129	32,377	39,506		S*
<b>Grand Total</b>	<b>26,864,457</b>	<b>103,235,973</b>	<b>130,100,430</b>		

# Investment Policy and Performance

## Introduction

The Fund's approach to its investment arrangements is set out in its Investment Strategy Statement, (ISS) as required by Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations") that requires the Fund to create and maintain an approach to investments that includes, amongst other things:

- a requirement to invest fund money in a wide variety of investments;
- the Fund's assessment of the suitability of different types of investments;
- the Fund's approach to risk, including the ways in which risks are assessed and managed;
- the Fund's approach to pooling investments;
- the Fund's policy on how social, environmental and corporate governance considerations are taken into account; and
- the Fund's policy on the exercise of the rights (including voting rights) attaching to investments.

The Pensions Committee (PC) approves investment policies and strategy and an Investment Sub-Committee (ISC), which is supported by the Fund's Advisors, to implement these investment policies and strategy, which includes the appointment and dismissal of Investment Managers and monitoring of performance.

The Fund adopts a long-term perspective, focussing its investment strategy to generate sustainable returns on a risk adjusted basis to grow the Fund's assets to reflect its equally long-term future liabilities. The Pensions Committee, Local Pensions Board, Fund officers and professional advisors have worked hard to develop an enhanced responsible investment (RI) policy, which forms part of our overall investment strategy. The new RI policy sets out our approach to sustainable responsible investment and will help us manage the carbon and climate risks impacting our investments better.

The RI policy was agreed following a consultation that was open to scheme members and scheme employers. You can find a copy of the summary consultation responses and an updated investment strategy statement on our [key documents page](#).

The revised RI policy will inevitably mean some changes to our underlying investments over time. In February 2022, the Investment Sub Committee approved decarbonisation targets to reduce the carbon emissions of listed equities by 25% by 2024 and by 59% by 2030 together with a climate action plan for 2022, 2023 and beyond.

The Fund intends decarbonising the portfolio at the same rate as the European Policy Curve (EPC) meaning the Funds decarbonisation pathway would align with Paris Accord and achieve the ambitions target to reach net zero by 2050 or earlier.

Progress against these targets will be reviewed regularly via a climate dashboard setting out key carbon metrics which will be measured and tracked over time. Regular communication will be provided on how the Fund is progressing on its journey to achieve net zero.

You can find copies of the Funds climate action plan, decarbonisation pathway, and climate dashboard on the [key documents page](#).

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which is a voluntary association of LGPS funds that seeks to protect and enhance the value of its members' shareholdings by way of shareholder engagement, by action on corporate governance issues and by seeking to promote the highest standards of corporate social responsibility at the companies in which LAPFF members invest. Through LAPFF, the Fund exercises its belief that engagement with company management to promote improvements in SRI practices is more powerful than divesting from the company's shares.

The Fund will continue to support the principles of the UK Stewardship Code (the "Stewardship Code") with plans to subscribe to the Stewardship code during 2023-24.

Information about Investment Manager voting is available at [Northamptonshire Pension Fund Key Documents](#)

# Investment Policy and Performance (continued)

## Role of Investment Managers

Each Investment Manager relationship is governed by an Investment Management Agreement, which sets out how much they can invest, the asset class in which the Fund has employed them to invest, the expected target return and how much the Fund will pay for this service.

## Active focus

The Fund with the exception of the passive Global Equity mandate and passive index-linked bonds, favours “active” briefs to outperform agreed specific benchmarks.

## Custodian

The Fund’s Custodian is Northern Trust. The Custodian is responsible for ensuring that the Fund has good title to all investments, that all trades instructed by Investment Managers are settled on time and that all income due to the Fund is received and recorded accurately. Northern Trust also maintain the investment accounting records for the Fund.

## Asset Pooling

The Fund is working with ten like-minded LGPS funds to implement the ACCESS asset pool in response to the Government’s LGPS reform agenda. The main aim is to encourage LGPS Funds to work together to form asset pools to “pool investments to significantly reduce costs, while maintaining investment performance.” Individually, the participating funds have a strong performance history and potential for substantial benefits for a group of successful, like-minded authorities collaborating and sharing their collective expertise. **Collectively as at 31<sup>st</sup> March 2023, the ACCESS Pool has significant scale with assets of £60bn (of which 58.5% has been pooled) serving 3,500 employers with 1.2 million members including 310,000 pensioners.**

The roles and decision-making relationship between the eleven funds is informed by an Inter Authority Agreement. The ACCESS pool is governed by the ACCESS Joint Committee (AJC) comprising the Chairmen of the eleven constituent funds. The AJC have appointed Link Fund Solutions Ltd (Link) as operator of the pool and the LF ACCESS Authorised Contractual Scheme (ACS).

The Fund’s passive equity investments are invested with UBS Asset Management under a collaborative arrangement with fellow ACCESS funds, which has generated significant fee savings for the Fund.

At 31 March 2023, the Northamptonshire Fund had invested £1,480m in sub-funds of the ACCESS Authorised Contractual Scheme and £904m in the UBS passive arrangement resulting in £2,384m of assets under pool management representing 74% of the Fund’s assets.

During 2023-24 the Fund expects further investment in fixed income sub-funds of the ACS when they become available. The focus for ACCESS in 2023-24 is to continue work performed in 2022-23 to develop a pooled solution for Alternative asset classes.

The ACCESS Support Unit (ASU) has been created to manage the Operator contract against specified KPIs and provide technical and secretariat support services to the AJC and Officer Working Group (OWG).

In addition to the savings in Investment Management fees through joint investments, there are other tangible benefits from pooling including a governance dividend (potential for reduced risk due to manager diversification achieved at pool level) and tax savings.

More information about the ACCESS asset pool can be found on their website: [ACCESS Pool](#). The ACCESS Annual Report can be found at Appendix A to the Annual Report.

# Investment Policy and Performance (continued)

## The Costs of Pooling

The costs of the pool are collected by a nominated ACCESS authority and re-charged in equal shares to the eleven ACCESS funds.

Northamptonshire's share of costs is reported within Oversight and Governance Costs in Note 11 to the Statement of Accounts and comprises the following:

Operational Costs	2022-23 £000	2015-16 to 2022-23 Cumulative £000
Strategic & Technical	30.4	192.0
Legal	19.9	131.9
Project Management	0	81.1
ACCESS Support Unit	50.7	211.2
Other	5.9	35.3
<b>Total Operational Costs</b>	<b>106.9</b>	<b>651.5</b>

## Cost Savings

The fee savings for the 2022-23 financial year resulting from the asset pooling agenda exceed £2m.

## Cost Transparency

The analysis below shows the investment expenses incurred during financial year 2022-23 between expenses incurred in respect of Pooled Assets held in the ACCESS Pool and those assets held outside of the pool. Direct costs include invoiced costs and costs deducted from the value of fund, or from income generated, in accordance with the fee agreement in place with each manager and explicit transaction costs. Indirect costs include implicit costs and third-party fees and charges. These are indicative estimates provided by Investment Managers as the reporting practices for the Cost of Transparency are still evolving.

## Cost Transparency - continued

	Asset Pool			Non- Asset Pool			Fund Total	
	Direct	Indirect	Total	Direct	Indirect	Total		
	£000	£000	£000	£000	£000	£000	£000	£000
Investment Management Fee								
Performance Fee								
Transaction taxes								
Broker commissions								
Other explicit costs								
Implicit/indirect transaction costs								
Administration								
Governance and Compliance								
Other								
<b>Total</b>								

# Investment Policy and Performance (continued)

## Investment Allocation and Performance

The Pension Fund Committee is responsible for approving the Strategic Asset Allocation proposed by the Investment Sub-Committee (ISC). The Pension Fund Committee performed a review of the Strategic Asset Allocation at the March 2023 meeting in conjunction with the Fund’s Investment Consultants, Mercer Ltd and the independent Investment Advisor. The review assessed the appropriateness of the current strategy and any changes necessary to increase the likelihood of meeting the Fund’s objectives, namely:

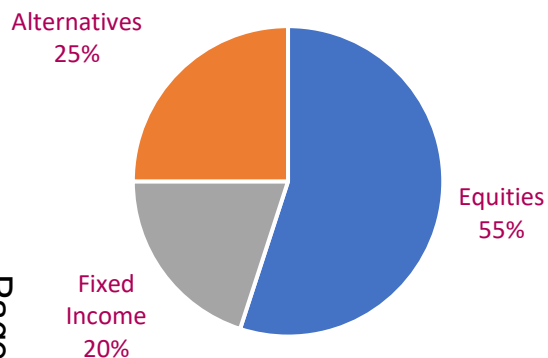
- To reach full funding and be in a position to pay benefits as they fall due; and
- To ensure contributions remain affordable to employers

The recommended changes to the strategy aims to manage the risk that asset returns are below those assumed by the actuary, whereby the funding position worsens. The following changes to the strategy were approved by Pension Fund Committee in March 2023:

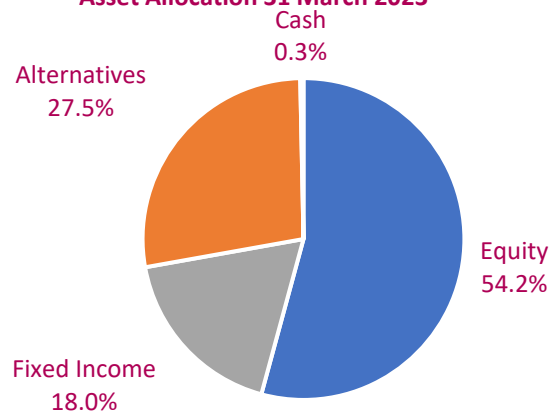
- Reduce the equity allocation by 12.5%, removing the standalone UK equity allocation and retaining the passive equity allocation at 20%;
- Increase fixed income (+10%) and alternatives (+2.5%) allocations to provide greater exposure to inflation linked, cashflow generative assets while protecting the strong funding position;
- Remove the Diversified Growth Fund (-5%) within the alternatives allocation to facilitate direct investment across private market alternative assets;
- Consider sustainable and impact opportunities across an expanded private markets portfolio –aligned with “levelling up” guidance.

The charts below show the Strategic Asset Allocation at the end of the financial year, the strategic asset allocation following Pension Fund Committee approval and the actual allocation of assets at 31 March 2023.

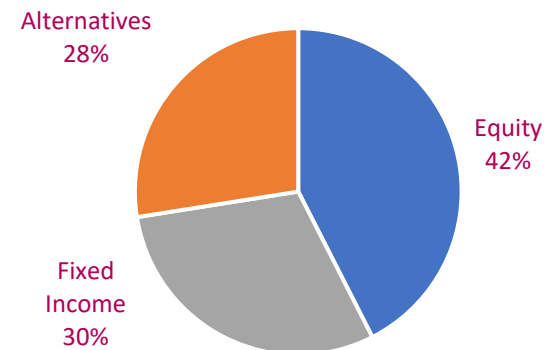
Strategic Allocation at 31 March 2023



Asset Allocation 31 March 2023



Approved Strategic Asset Allocation



# Investment Policy and Performance (continued)

Value of Investments held by each of the Fund's Investment Managers on 31 March 2022 and 31 March 2023:

Manager	31 March 2022		31 March 2023	
	£m	% of Total	£m	% of Total
<b>Equities</b>				
Liontrust UK Equity	293.9	8.8	301.2	9.3
UBS UK Passive Equity	27.4	0.8	28.2	0.9
Newton Global Equity	313.7	9.4	313.8	9.7
Baillie Gifford - Long Term Global Growth	223.3	6.7	195.6	6.1
Longview Global Equity	286.5	8.5	302.9	9.4
UBS Passive Global Equity	676.5	20.2	607.8	18.8
<b>Fixed Income</b>				
UBS Index Linked Gilts	327.1	9.8	268.1	8.3
BlueBay	157.1	4.7	147.9	4.6
M&G Alpha Opportunities	154.6	4.6	163.7	5.1
<b>Alternatives</b>				
CBRE Property	248.5	7.4	213.1	6.6
Baillie Gifford – Diversified Growth	221.7	6.6	202.8	6.3
M&G Real Estate	60.8	1.8	61.7	1.9
HarbourVest	104.6	3.1	129.7	4.0
Adams Street	82.3	2.5	105.9	3.3
Ares Capital	34.7	1.0	35.0	1.1
Allianz	17.1	0.5	11.9	0.4
IFM Infrastructure	58.3	1.7	67.6	2.1
JP Morgan	44.7	1.3	58.6	1.8
Catapult	0.5	0.0	0.6	0.0
<b>Cash</b>				
	21.5	0.6	10.4	0.3
<b>Total</b>	<b>3,354.8</b>	<b>100.0</b>	<b>3,226.5</b>	<b>100.0</b>

# Investment Policy and Performance (continued)

## Total Fund Performance

The total investment return for the Fund over the financial year was -4.8% net of fees compared with a weighted benchmark return of -3.8%. In the previous year the total investment return was 8.2% compared with a weighted benchmark of 10.8%. The Fund's total investment return was 9.7% p.a over the three years to 31 March 2023, 6.2% p.a over the five years to 31 March 2023, and 7.4% p.a over the ten years to 31 March 2023.

## Performance of Managers

The ISC continues to monitor the Investment Managers' performance against their benchmark at their quarterly meetings. All managers are measured against market-based performance benchmarks with bespoke outperformance targets set for active managers which are expected to be met over a three to five year period. Net of fees performance of each manager compared to benchmark over one, three and ten years is shown in the table below.

Asset Class /Manager	1 year (% p.a)			3 year (% p.a)			10 year (% p.a)		
	Return	Benchmark	Variance	Return	Benchmark	Variance	Return	Benchmark	Variance
Liontrust UK Equity	2.6	2.9	-0.3	12.7	13.8	-1.1	5.5	5.8	-0.3
Newton – Global Equity	0.1	-1.4	1.5	14.8	15.5	-0.7	10.8	10.3	0.5
Baillie Gifford - Long Term Global Growth	-12.4	-1.4	-11.0	11.8	15.5	-3.7	n/a	n/a	n/a
Longview Global Equity	5.8	-1.4	7.2	18.1	15.5	2.6	n/a	n/a	n/a
UBS – Passive Equity	-1.3	-1.4	0.1	14.8	14.7	0.1	10.4	10.4	0.0
UBS Index Linked Gilts	-30.6	-30.4	-0.2	-10.9	-10.8	-0.1	n/a	n/a	n/a
BlueBay	-5.9	-1.7	-4.2	n/a	n/a	n/a	n/a	n/a	n/a
M&G Alpha Opportunities	1.9	-1.7	3.6	n/a	n/a	n/a	n/a	n/a	n/a
Baillie Gifford - DGF	-8.5	5.8	-14.3	3.6	4.4	-0.8	2.5	4.2	-1.7
CBRE - Property	-12.8	-14.5	1.7	0.9	2.6	-1.7	5.1	6.4	-1.3
M&G – Residential Property	0.9	6.0	-5.1	1.8	6.0	-4.2	n/a	n/a	n/a
M&G – Shared Ownership	1.6	6.0	-4.4	n/a	n/a	n/a	n/a	n/a	n/a
HarbourVest – Private Equity	16.4	8.9	7.5	29.1	8.9	20.2	n/a	n/a	n/a
Adams Street – Private Equity	1.4	8.9	-7.5	30.2	8.9	21.3	n/a	n/a	n/a
Ares Capital – Infrastructure Debt	14.4	10.0	4.4	7.9	10.0	-2.1	n/a	n/a	n/a
Allianz – Infrastructure Debt	-28.0	4.0	-32.0	-9.4	4.0	-13.4	n/a	n/a	n/a
IFM Infrastructure	19.7	10.0	9.7	12.0	10.0	2.0	n/a	n/a	n/a
JP Morgan	16.9	10.0	6.9	n/a	n/a	n/a	n/a	n/a	n/a

n/a = Not invested for the full period therefore no meaningful performance measure is available

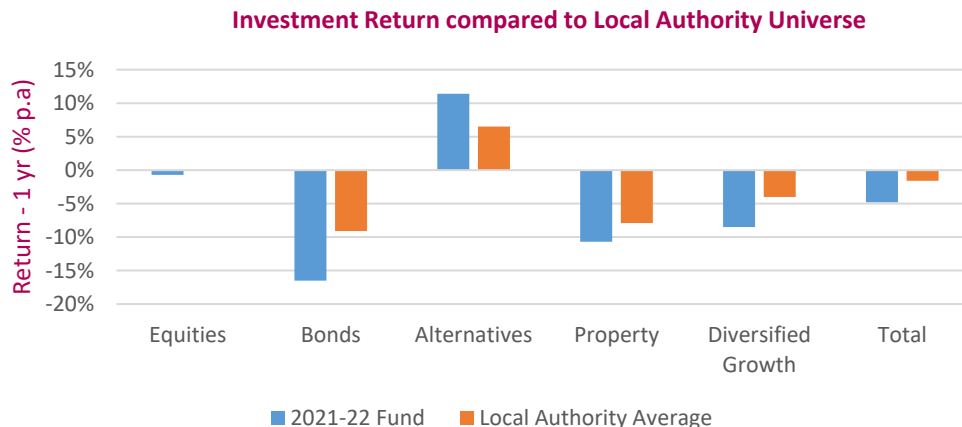


# Investment Policy and Performance (continued)

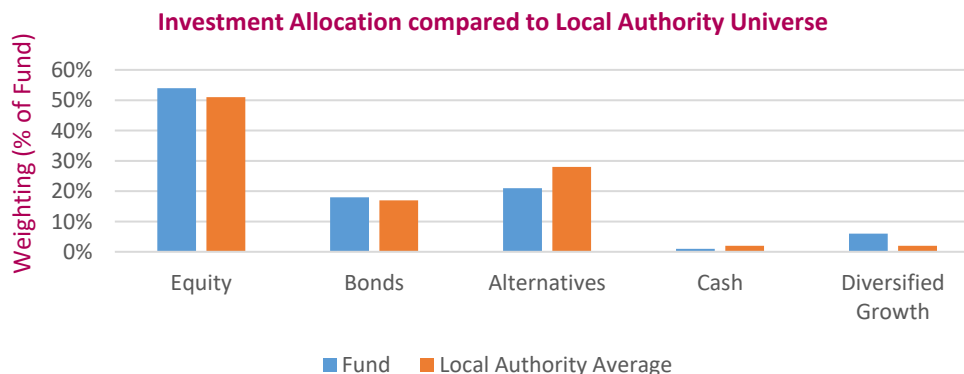
## Performance in Comparison with Local Authority Universe

The Local Authority Universe is a national scheme consisting of 63 pension funds collated by PIRC Ltd that provides benchmarking of local authority pension funds investment performance.

In 2022-23 the Fund's performance of -4.8% net of fees over the financial year was ranked **80<sup>th</sup> percentile out of the 63 Funds participating in the Universe.**



The Fund's current strategy has a slightly higher allocation to Equities and Bonds and a lower allocation to Alternatives when compared to the Local Authority Universe.



# Investment Policy and Performance (continued)

## Climate Change Report

### Executive summary

The Fund recognises the systemic risk associated with climate change as well as the Administering Authority's targets in this regard and the views and aspirations of other scheme employers and scheme members.

In order to manage this systemic risk and to align with its support of the Paris Agreement and a “just transition”, **the Fund currently expects that its investment portfolio will be net carbon neutral by 2050, in line with UK Government’s targets.**

The Fund is working towards producing a climate change reports in future which comply with Task Force on Climate-Related Financial Disclosures (“TCFD”) reporting recommendations, which are expected to become mandatory for LGPS Funds in the coming years. This report provides a summary of the Fund’s position as it relates to climate change, assessed across the four pillars under the TCFD Framework:

- **Governance:** How the Pension Fund Committee (“Committee”) maintains oversight and incorporates climate change into its decision making;
- **Strategy:** How potential future climate warming scenarios could impact the Fund;
- **Risk Management:** How climate-related risk is incorporated in the Fund’s broader risk management processes; and
- **Metrics and Targets:** How the Committee measures, and monitors progress against different climate related indicators known as metrics and targets.

### Governance

The Administering Authority has delegated to the Committee the power to determine and maintain the Fund’s strategies, policies and

procedures. Implementation of the strategy and the monitoring of performance is delegated to the Investment Sub-Committee (“ISC”), for which the membership is drawn from the Committee.

Research into how climate-related risks and opportunities impact financial markets is constantly evolving and expanding. The Committee or its ISC receives training on a regular basis to keep up-to-date with developments and will allocate time on meeting agendas to cover items such as developing and meeting the Fund’s climate action plan, climate-change scenario analysis, reporting of metrics and monitoring of progress against agreed targets.

The Committee acknowledges that the reporting of climate-related risk is relatively new and the collective experience of the Committee and ISC will grow over time.

Climate change will form an explicit agenda item at least annually for the Committee or ISC when the Fund’s climate action plan and / or when the Fund’s annual climate change report is updated. It will also be covered as part of other agenda items as part of a wider discussion of funding or investment strategy, or as part of the investment manager appointment and review discussions.

### Strategy

The Fund undertook climate scenario analysis on its investment strategy in 2021. Given the uncertainty around the timing and impact of climate-related transition and physical risks, the ISC considered three climate scenarios or ‘warming pathways’ i.e. the expected degrees of warming of the atmosphere by the end of the century relative to pre-industrial levels, to help test the resiliency of the Fund’s investment strategies at the strategic level.

# Investment Policy and Performance (continued)

Whilst a lower warming pathway (2°C scenario) is one in which governments, businesses and society should aim for as a minimum, there is a possibility that a failure to reduce GHG emissions quickly enough could set off irreversible feedback loops that significantly warms the planet (as modelled by 3°C and 4°C scenarios).

**The Fund will be impacted by climate change, regardless of the scenario that unfolds.**

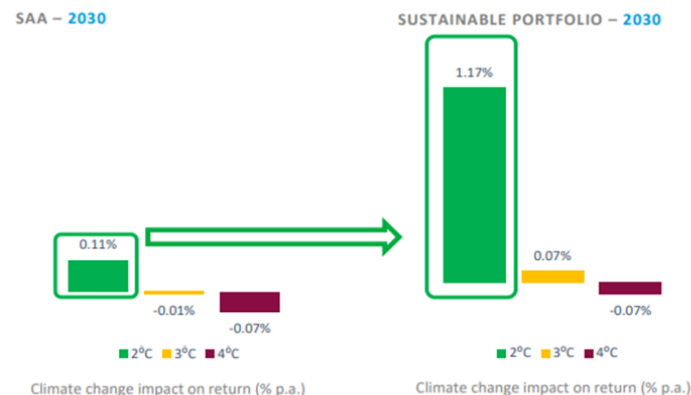
## Resilience of the Fund's investment strategy

The table below shows how a 2°C scenario leads to enhanced projected returns for the Fund's investment strategy versus 3°C or 4°C scenarios, with the greatest Impact over the period to 2030.

Warming pathway scenario	Year	Climate change impact on return (% per year)
2°C	2030	0.11%
2°C	2050	-0.05%
2°C	2100	-0.07%
3°C	2030	-0.01%
3°C	2050	-0.06%
3°C	2100	-0.09%
4°C	2030	-0.07%
4°C	2050	-0.13%
4°C	2100	-0.16%

## Transition opportunities emerge from a 2°C scenario

The graphic to the right illustrates the benefits of investing sustainably (i.e. in a portfolio broadly aligned with the Fund's investment strategy but where asset class exposures are mapped to sustainable equivalents).



As at 30 June 2021. Source: Mercer/Investment Managers

Under the 2°C scenario, to 2030, the Sustainable Portfolio is expected to benefit by up to +15.0% on a cumulative basis, compared with the Fund's current investment strategy.

## Key findings of the analysis

Investing for a 2°C scenario is both an imperative and an opportunity the Fund should address.

- An imperative, since, for nearly all asset classes and timeframes, a 2°C scenario leads to enhanced projected returns versus 3°C or 4°C and a better investment outcome.
- An opportunity, since, although incumbents can suffer losses in a 2°C scenario, there are many notable investment opportunities enabled in a low-carbon transition, including sustainability themed investments in listed and private equities to infrastructure and fixed income.

Climate scenario analysis is an ever evolving space and, as such, the scenarios modelled and reported may be subject to review in future periods. It is important to note that the modelling may understate the true level of risk due to the uncertainty around the future economic impacts of climate change.

# Investment Policy and Performance (continued)

## Risk Management

This section summarises the primary climate-related risk management processes and activities carried out for the Fund. These assist with understanding the materiality of climate-related risks, both in absolute terms and relative to other risks that the Fund is exposed to.

Governance	<p>The Fund recognises the systemic risk associated with climate change and the views and aspirations of other scheme employers and scheme members.</p> <p>The Fund has acknowledged the risk to the Fund of climate change in its Risk Register: “As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund’s investments.”</p> <p>The Officers maintain a Climate Action Plan which is reviewed and updated on a regular basis. This document forms part of the ISC’s wider business plan and summarises the progress, actions and outcomes of scheduled climate-related investment projects and tasks.</p>
Strategy	<p>The Fund’s advisers will take climate-related risks and opportunities into account as part of the wider strategic investment advice provided to the Committee and ISC. This includes highlighting the expected change in climate-risk exposure through proposed asset allocation changes, both from the top-down level (via climate scenario analysis) and bottom-up (via climate-related metrics). Climate scenario analysis for the investments of the Fund will be reviewed periodically.</p>

Reporting	<p>The ISC will receive an annual climate dashboard providing an update on climate-related metrics and progress against targets in respect of the assets held in the Fund. The ISC may use the information to engage with the Fund’s investment managers.</p> <p>The ISC receives a biannual stewardship monitoring report which summarises how the investment managers choose to vote and engage on climate-related issues (among other key engagement priorities).</p>
Manager selection and retention	<p>The ISC, with advice from its advisers, will consider an investment manager’s firm-wide and strategy-specific approach to managing climate-related risks and opportunities when either appointing a new manager, in the ongoing review of a manager’s appointment, or as a factor when considering the termination of a manager’s appointment.</p>

### What are the climate-related risks and opportunities?

The Fund has considered two types of climate-related risks and opportunities in its climate scenario analysis:

#### 1. Transition risks and opportunities

This covers the potential financial and economic risks and opportunities from the transition to a low-carbon economy (i.e. one that has a low or no reliance on fossil fuels), in areas such as:

- Policy and legislation
- Market
- Technology
- Reputation

# Investment Policy and Performance (continued)

Risks include the possibility of future restrictions, or increased costs, associated with high carbon activities and products.

There are also opportunities, which may come from the development of low-carbon technologies. In order to make a meaningful impact on reducing the extent of global warming, most transition activities need to take place over the next decade and certainly in the first half of this century.

## 2. Physical risks and opportunities

The higher the future level of global warming, the greater physical risks will be in frequency and magnitude. Physical risks cover:

- Physical damage (storms; wildfires; droughts; floods)
- Resource scarcity (water; food; materials; biodiversity loss)

Physical risks are expected to be felt more as the century progresses though the extent of the risks is highly dependent on whether global net zero greenhouse gas emissions are achieved by 2050.

There are investment opportunities, for example, in newly constructed infrastructure and real estate that are designed to be resilient to the physical impacts of climate change, as well as being constructed and operated in a way that have low or no net carbon emissions. There are also opportunities for investment in those companies or industries that focus on energy conservation and resource efficiency.

## Metrics and targets

### Metrics

The primary metrics that are used by the Fund to measure climate-related impact are:

- Absolute emissions. This is the total emissions of seven major GHGs associated with the investments held (carbon dioxide,

methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride and nitrogen trifluoride).

- Carbon footprint. This is the total emissions per million pounds invested.
- Weighted average carbon intensity (WACI). This is the total emissions per million pounds of sales

### Limitations of emissions data

The Fund is aware of issues around data quality, in particular carbon data for many private companies, governments and asset classes is not currently sufficiently robust to set targets against. The Fund has therefore focused on the listed equity portfolio initially, given data quality is more robust within this asset class and it comprises a majority of the Fund's strategic investment portfolio. The Fund will seek to include other asset classes in its carbon reporting as this data quality improves over time.

The Fund is also aware that Scope 3 emissions data, i.e. covering indirect emissions from the value chain such as those embedded in material inputs or freight, is an area that needs development and as such it is not included in the Fund's target-setting process. However, the Fund will continue to collect this data to inform its engagement with investment managers.

### Targets

The Fund's overall climate-related objective is to align its portfolio with a 'pursue efforts towards 1.5°C' objective - i.e. net zero by 2050, with an aspiration of achieving a net zero position by 2045.

Targets were set on an absolute emissions basis in 2021, but also monitored on an intensity basis (using two intensity metrics: carbon footprint and weighted average carbon intensity (WACI)). However, the Fund has switched to a carbon footprint metric as the base line measure for a de-carbonisation pathway as it:

# Investment Policy and Performance (continued)

- a) It is not impacted by changes in strategy, unlike absolute emissions. For example, the Fund’s strategic target equity allocation was reduced as part of the investment strategy review undertaken during the Fund year which, all else equal, would lead to a reduction in the level of absolute emissions.
- b) If the Fund widens the scope of its climate reporting in future to include additional asset classes, as it intends to do, this would naturally increase absolute emissions. Carbon footprint is not impacted in the same way.

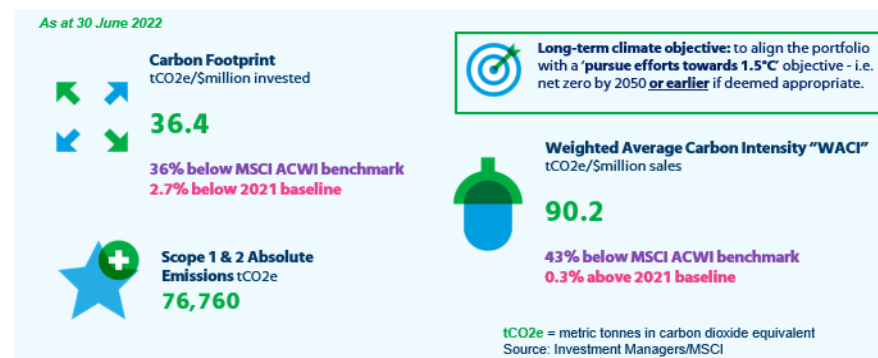
The carbon footprint metric instead normalises absolute emissions by the amount of assets invested. The Fund will continue to track both absolute emissions and WACI too as each metric provides a slightly different insight as to the nature of the companies held within portfolios.

## Carbon reporting dashboard

The Fund’s metrics were initially measured as at 30 June 2021, providing a baseline for future targets, and were recalculated as at 30 June 2022 in order to monitor progress against these targets. The metrics are set out in a publicly available carbon reporting dashboard:

The 2021 and 2022 metrics are based on Scope 1 and 2 emissions data for the listed equity portfolio.

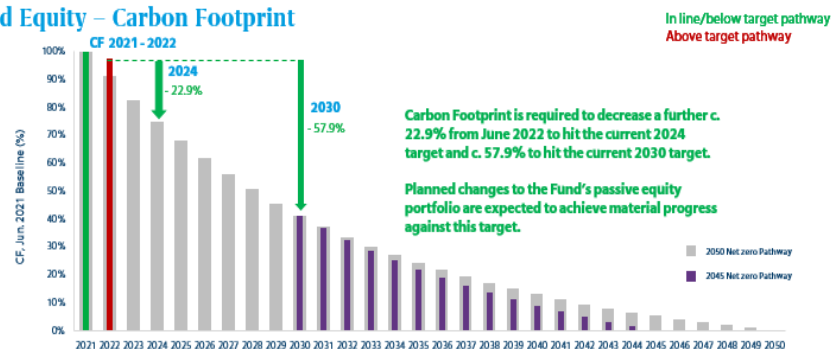
The dashboard will be updated on an annual basis.



## Progress against targets

The chart below demonstrates the Fund’s progress (Green and Red bars) against the pre-defined pathway (Grey bars) required in order to achieve the Net Zero objective by 2050. The purple bars demonstrate the pathway to achieve Net Zero by 2045 for information.

## Listed Equity – Carbon Footprint



While the listed equity portfolio’s Carbon Footprint in 2022 was above the pre-defined pathway, changes to the Fund’s passive equity portfolio were implemented in early 2023 with the objective of improving the portfolio’s climate characteristics. This will be captured in the Fund’s updated metrics at 30 June 2023 and will demonstrate meaningful progress against the targets set.

# Investment Policy and Performance (continued)

Investment Review – Financial Year to 31<sup>st</sup> March 2023

David Crum ASIP, May 2023

## Economic Background & Market Review

Region / Asset Class	Index	12 months % return GBP
<b>UK Equities</b>	FTSE All Share	2.9
<b>European Equities</b>	FTSE Europe X UK	8.7
<b>US Equities</b>	S&P 500	-1.7
<b>Japanese Equities</b>	TOPIX	2.8
<b>Asian Equities</b>	MSCI AC Asia ex Japan	-3.0
<b>Emerging Markets Equities</b>	MSCI Emerging Markets	-4.9
<b>Global Equities</b>	MSCI World	-1.0
<b>UK Government Bonds</b>	FTSE A Over 15 Year Gilts Index	-29.7
<b>UK Index Linked Bonds</b>	FTSE A Over 5 Year Index Linked Gilts Index	-30.4
<b>Global Bonds</b>	Merrill Lynch Global Broad Market Corporate Index	-0.8
<b>UK Property</b>	MSCI All Balanced Property Funds Index	-14.5

The financial year to 31<sup>st</sup> March 2023 was dominated by similar themes to the preceding one, with continuing ructions in geopolitics, global financial markets, and the fiscal & monetary policies of the major economies. These ongoing challenges meant that investors also had to deal with market sentiment volatility, bringing frequent changes in the outlook across the investment landscape.

## Trussonomics & ‘That’ Mini-Budget

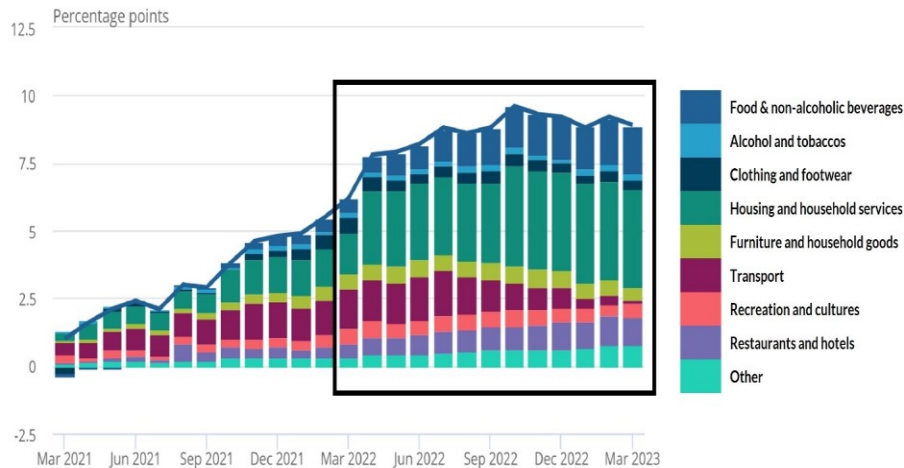
With the continuing war in Ukraine, and China sticking firmly to its ‘One China’ policy over Taiwan in word and deed, the global political arena continued to be tense with the wide-ranging implications of both actions. European resolve over sanctions held firm against Russia’s aggression, but real concerns over the duration of the conflict were never far from the surface, given the impact the war has had on energy and food prices. In the US, the Biden Administration became somewhat bogged down in delivering policy priorities, hampered by stubborn inflation and a divided nation. Closer to home – and somewhat out of the blue – the UK experienced a unique event, having 3 different Prime Ministers within a two month period.

Whilst that in itself might have spooked investors, the mini-budget ‘Growth Plan’ from Prime Minister Liz Truss and her Chancellor, Kwasi Kwarteng, resulted in a very public vote of no confidence from investors. Markets – particularly UK Government debt – reacted badly to the £45 billion package of tax cuts, which came amidst the strongest inflation seen in four decades. Given that this ‘Plan’ was unveiled without any independent analysis of how it would be funded, the market reaction seemed to come as no surprise to anyone other than the Prime Minister and the Chancellor. Following the resignation of both, the alternative contender for Prime Minister – Rishi Sunak – took over from Truss and appointed Jeremy Hunt as Chancellor. Whilst their ‘budget for growth’ Spring Budget also had tax cuts at its core, there was a balance between small cuts in areas benefitting individuals and an increase in corporation tax from 19% to 25% for larger companies which seemed to placate markets.

# Investment Policy and Performance (continued)

## Inflation – What Goes Up Must Come Down

Contributions to the UK annual CPIH inflation rate



Source: Consumer price inflation, UK: March 2022 (ONS)

The inflation story continued in an unwelcome vein, with the Consumer Prices Index including owner occupiers' housing costs (CPIH) standing at 8.9% for the 12 months to March 2023 (albeit down from the peak of 9.6% in October 2022). The largest upward contributions to the annual CPIH inflation rate in March 2023 came from housing and household services (principally from electricity, gas and other fuels), and food and non-alcoholic beverages. In the short term, the largest downward contributions to the monthly change in both the CPIH and CPI annual rates came from motor fuels, and housing and household services (particularly liquid fuels). So, whilst the rate of inflation dropped in March, the absolute level of inflation remains high.

Throughout the financial year to 31/03/23, many workers pressed for increases in wages to match inflation. The results were mixed, with some industries achieving increases close to inflation. However, most saw pay rises offered that did not come close to matching inflation. So, in addition to dealing with the cost of living going up, most workers have ended up getting a pay cut in real terms over the last year. This has clear implications for non-essential spending, and so businesses that rely on discretionary spending are likely to continue to have a challenging operating environment for the immediate future.

## Interest Rates & the Cost of Living

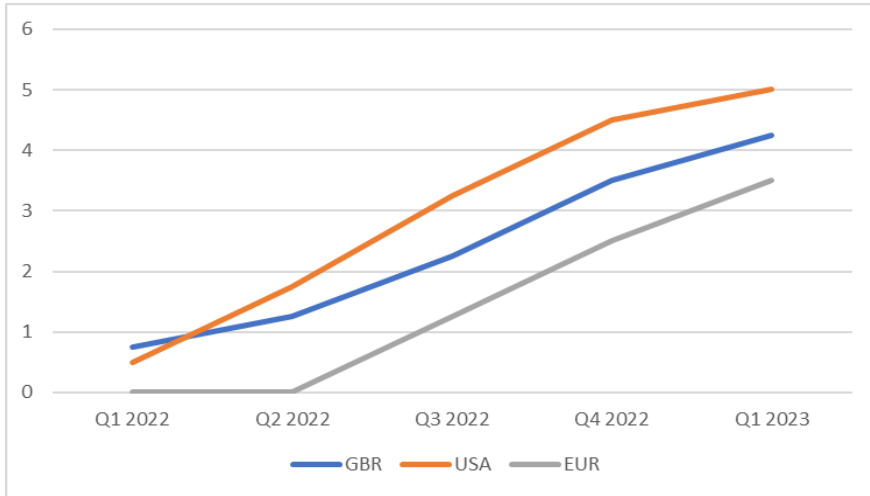
In my Outlook from last year I said:

*'Central banks have their work cut out in trying to manage inflationary pressures via monetary policies that have little headroom for significant interest rate rises, and the relative indebtedness of households means that consumer demand could falter as finances continue to be squeezed.'*

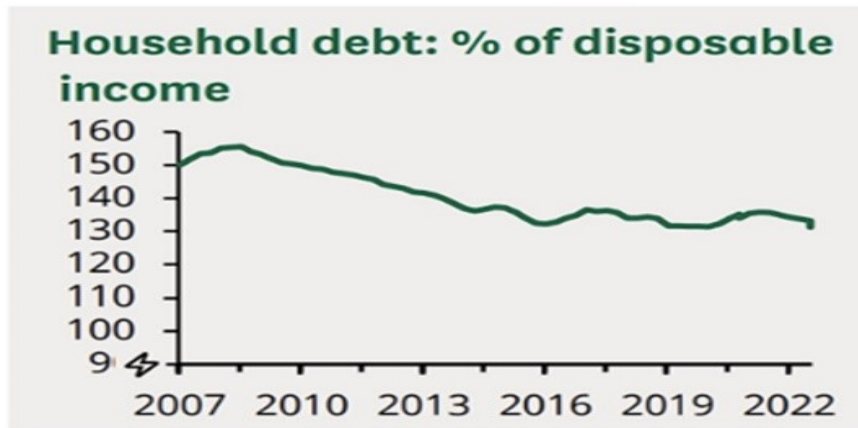
The Bank of England, the Federal Reserve and the European Central Bank all raised rates a number of times in the last 12 months to 4.25%, 5% and 3.5% respectively at the end of March 2023, as shown in the chart on the next page. Depending on one's definition of 'significant', it seems that little upward scope or appetite remains for interest rates increases for the most part. And whilst US and EU annual inflation have fallen a reasonable distance from their peaks late last year (suggesting that rate rises have done their job, and that some rate cuts may be on the horizon), the UK's annual inflation has not. At the time of writing this report, the Bank of England had just raised UK interest rates again, up to 4.5%. Rate cuts here seem further down the road.



# Investment Policy and Performance (continued)



From a UK household's perspective, the level of debt as a percentage of disposable income has remained relatively stable for the last few years, as shown in this chart.



Source: House of Commons Library

In the last year the UK Government introduced an Energy Bills Discount Scheme to help households offset some of the pain of the increased energy costs. However, the increase in mortgage payments felt by many following the rapid interest rate hikes may yet prove to be more problematic for households. The decrease in availability of rental stock in the UK has also seen average rents increase in the last year. The situation relating to household finances remains incredibly challenging, and so a careful eye will need to be cast on the latest debt figures as they are published.

## SVB - Back to the Future

One thing associated with the rising interest rate environment that caught some off guard was the return of choice for cash depositors. In the 'low for long' interest rate environment we have had for more than a decade, there has been little incentive attached to changing banking provider. In the relatively rapidly increasing interest rate environment of the last year, deposit options and differences increased as many banks struggled to keep pace with rising rates.

Nowhere was this clearer than in the US, where a large number of banks of all sizes operate. March 2023 saw the collapse of America's 16<sup>th</sup> largest commercial bank - Silicon Valley Bank, or SVB, used by many technology and startup companies in the US and around the globe. Having invested billions of dollars in US Government bonds in the low rate environment of the past, SVB saw the value of those investments plummet as interest rates rose. At the same time, borrowing costs rose higher with the interest rate increases, meaning tech startups had to channel more cash towards repaying debt.

What started as a mismatch in investment returns became a classic bank run when SVB announced that it had sold some investments at a loss and would need to sell \$2.25 billion in new shares to plug the hole in its finances.

# Investment Policy and Performance (continued)

That set off panic among customers, who withdrew their money in large numbers. The bank's stock subsequently plummeted and dragged other bank shares down with it. Trading in SVB shares was soon halted, with the bank abandoning efforts to raise capital or find a buyer. California regulators then intervened, shutting the bank down.

Problems continued in the US banking sector with the collapse of Signature Bank (also in March) and First Republic Bank (in May, at the time of preparing this commentary). For investors of a certain age, problems in the banking sector bring back painful memories of how the Great Financial Crisis of 2007 – 2008 began. It remains to be seen whether the issues in the US banking sector have been – or indeed can be - contained, and if not, how much appetite and firepower policy makers have to deal with them.

## ESG – Now and Always?

Conversations, approaches and regulations around the incorporation of Environmental, Social and Governance (ESG) factors into asset valuations and stewardship approaches continued, but not always in a positive vein. In particular, the US saw an 'anti-ESG' backlash, with Republican States legislating in an attempt to remove ESG considerations from the investment appraisal and monitoring process of public pension funds. It remains to be seen whether this pushback against responsible investment will be successful – the chances are that it will become bogged down in litigation, since there are likely to be as many pension fund members who support the consideration of ESG issues as those that oppose them.

Closer to home, things were more positive on the 'sustainable stewardship' front. The ACCESS Pool, of which the Northamptonshire Pension Fund is a member, published its Responsible Investment Guidelines. I can also confirm that questions associated with ESG issues – including climate change – continued to be asked of the Fund's investment managers during the last year. Work also continued on understanding the extent to which the companies we invest in are reporting their Scope 1, 2 and 3 Green House Gas (GHG) emissions.

Some companies have made big strides in both quantifying their GHG emissions and also coming up with some kind of plan to deal with them. However, many have not, and so we continue to work with the Fund's investment managers and investment consultant to identify ESG issues and laggards. This is a multi-year project, and scheme members can expect to see more reporting on this in future.

## Fund Investment Performance

	1 Year Performance	3 Year Performance (p.a.)	5 Year Performance (p.a.)
<b>Northamptonshire Pension Fund</b>	-4.8%	9.7%	6.2%
<b>Fund Benchmark</b>	-3.8%	9.4%	6.2%

The Fund returned -4.8% for the year to 31st March 2023, slightly underperforming the benchmark return of -3.8%. All asset classes delivered a negative return in the last year, and this relative underperformance was a combination of a modest underperformance in equities (-0.8% versus the benchmark of -0.7%) and fixed interest (-16.5% versus -16.8%), with a more marked underperformance in alternatives (-4.1% vs -0.4%).

In terms of specific manager performance, Baillie Gifford, who had had such a stellar year in 2020/21, again had a challenging period, delivering a return of -12.4% against a benchmark return of -1.4% for their Global Equities mandate. Indeed, they were the only equity manager that did not beat their benchmark for the period.

The Fund's fixed interest investments were primarily responsible for the overall negative return. The rising interest rate environment in the UK hit returns for the Fund's UK Gilt investments, which fell -30.6% versus the benchmark return of -30.4%. The Fund's Multi-Asset Credit managers, BlueBay and M&G, had a mixed year, with the former underperforming their benchmark (-5.9% vs -1.7%) and the latter outperforming (1.9% vs -1.7%).

# Investment Policy and Performance (continued)

The Fund's Alternatives exposure also had a challenging year, returning -4.1% against a benchmark return of -0.4%. The headline return belies a mixed performance picture in the alternative assets, with Commercial Property having a tough year (-12.8% vs -14.5%), and Infrastructure and Private Equity investments having a collective positive return. The Fund's investment in the Baillie Gifford Diversified Growth Fund had a very challenging year, returning -8.5% for the financial year and underperforming the benchmark return of 5.8%.

In conclusion, whilst the Fund's investment performance did not beat the benchmark for the most recent 1-year period, the Fund remains ahead of its benchmark over the 3-year period (9.7% p.a. vs 9.4% p.a.) and in line with the benchmark for the 5-year period (6.2% p.a. vs 6.2%). It is worthwhile remembering that we judge success over the longer term and expect there to be fluctuations in investment returns over shorter time periods.

## Outlook

The first two sentences from the 'Outlook' section in last year's report remain accurate, and remain significant concerns when looking ahead:

*'The war in Ukraine remains a worrying factor, and there is a not insignificant risk that an increasingly cornered Russia may lash out, widening the conflict in Europe. And whilst the war may have shown China how not to go about the 'reunification' of Taiwan, it could perversely be seen as a green light to attempt to do so by Beijing.'*

Recent additional promises of support for Ukraine, particularly in terms of them being provided more advanced defensive weapons that can hit targets well beyond the front line, run the risk of escalation from the Russians. President Putin remains relatively isolated and cornered, with Russia showing no signs of being able to win this conflict through conventional means. Should non-conventional means be used, this would likely be calamitous for both Ukraine and the wider world.

The handling of China also remains a delicate balancing act. At the time of writing this report, the news coming out of the latest G7 meeting, being held in Hiroshima, neatly underlines the China 'problem' – which is whilst they remain a key trading part for all of the G7 economies (and indeed have helped keep inflation low for many years due to the cost of goods produced there), they are increasingly seen as a threat to global stability with their ongoing sabre-rattling over Taiwan, and the threat from their alleged theft of trade and national secrets.

The biggest challenges investors face over the coming year that are not of a geo-political nature are likely to continue to be linked to inflation, interest rates and the consequences of inflation. Whilst annual inflation is falling in the UK, the US and EU, it remains historically high - which will weigh on the minds of central bankers. As a result, meaningful interest rate reductions are unlikely to come through this year, with many commentators predicting another year of higher interest rates.

Concerns also exist over the possibility of a global recession, not helped by the lack of progress in the US to agree a deal on US Government debt. Should no agreement be reached between Republicans and Democrats to raise the 'debt ceiling' by June 1, the US would default on its \$31.4 trillion Government debt. One can only speculate how bad that would be for global financial markets, with one commentator saying that it would bring about a global recession that would make the 2008 financial crash 'look like a tea party'. It is perhaps more plausible that a deal will be reached between Democrats and Republicans to raise the debt ceiling than such a calamitous outcome, but it cannot be entirely discounted.

Whatever the political, financial and economic environments may throw our way, the Fund's investment strategy remains diversified across markets, regions and asset classes, and we remain focussed on targeting long term investment returns that meet the cost of the long term pension liabilities.

# Actuarial Information

## Northamptonshire Pension Fund (“the Fund”) Actuarial Statement for 2022-23

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

### Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS), dated March 2023. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)
- where appropriate, ensure stable employer contribution rates
- reflect different employers’ characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations
- manage the fund in line with the stated ESG policies.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 20 years.

### Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund’s assets, which at 31 March 2022 were valued at £3,364 million, were sufficient to meet 113% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £380 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers’ contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund’s funding policy as set out in its FSS.

### Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report.

#### Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

# Actuarial Information (continued)

## Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial Assumptions	31 March 2022
Discount Rate	4.4%
Salary increase assumption	3.2%
Benefit increase assumption(CPI)	2.7%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.6 years	24.3 years
Future Pensioners*	22.5 years	25.8 years

\*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund to the Fund and on the Fund's website.

## Experience over the period since 31 March 2022

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to the significant rise in interest rates which reduces the value placed on the Fund's liabilities.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Steven Scott FFA

6 June 2023

For and on behalf of Hymans Robertson LLP

# Actuarial Information (continued)

## Extract from the Actuarial Valuation Report

### Executive Summary

We have carried out an actuarial valuation of the Northamptonshire Pension Fund (“the Fund”) as at 31 March 2022. The results are presented in this report and are briefly summarized below.

### Funding Position

The table below summarizes the financial position of the Fund at 31 March 2022 in respect of benefits earned by members up to this date (along with a comparison at the last formal valuation at 31 March 2019).

Valuation date	31 March 2019 (£m)	31 March 2022 (£m)
Past Service liabilities	2,679	2,984
Market Value of Assets	2,502	3,364
Surplus/(Deficit)	-176	380
Funding Level	93%	113%

The most significant external event to occur since the last valuation has been the Covid-19 pandemic. The impact on the funding position has been small, likely due to the age profile of the excess deaths and the level of pension.

Other significant factors occurring which affect the funding strategy of the Fund have been the better than expected investment returns. This has had a material positive impact on the funding position and employers’ secondary contribution rates.

### Contribution Rates

The table below summarizes the whole fund Primary and Secondary Contribution rates at this triennial valuation. The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer secondary rates (before any pre-payment or capitalization of future contributions), calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate (% of pay)	Secondary Rate (£)		
1 April 23 – 31 March 26	2023-24	2024-25	2025-26
20.5%	£8,586,000	£8,155,000	£7,660,000

The Primary rate also includes an allowance of 0.8% of pensionable pay for the Fund’s expenses. The average employee contribution rate is 6.3% of pensionable pay.

The minimum contributions to be paid by each employer from 1 April 2023 to 31 March 2026 are shown in the Rates and Adjustment Certificate.

Douglas Green FFA

Robert McInroy FFA

31 March 2023

For and on behalf of Hymans Robertson LLP

# Audit Opinion

Estimated 2024

# Audit Opinion

Estimated 2024



# Fund Account

31-Mar-22			31-Mar-23
£000		Notes	£000
<b>Dealings with members, employers and others directly involved in the fund:</b>			
-122,777	Contributions	Note 7	-130,100
-12,203	Transfers in from other pension funds	Note 8	-16,937
<b>-134,980</b>			<b>-147,037</b>
103,413	Benefits	Note 9	105,500
9,696	Payments to and on account of leavers	Note 10	10,648
<b>113,109</b>			<b>116,148</b>
<b>-21,871</b>	<b>Net (additions)/withdrawals from dealing with members</b>		<b>-30,889</b>
15,964	Management expenses	Note 11	16,615
<b>-5,907</b>	<b>Net (additions)/withdrawals including fund management expenses</b>		<b>-14,274</b>
<b>Returns on investments:</b>			
-28,920	Investment income	Note 13	-34,027
0	Taxes on income		0
-229,429	(Profit) and losses on disposal of investments and changes in the value of investments	Notes 14a and 17b	173,661
<b>-258,349</b>	<b>Net return on investments</b>		<b>139,634</b>
<b>-264,256</b>	<b>Net (increase)/decrease in the net assets available for benefits during the year</b>		<b>125,360</b>
-3,103,490	Opening net assets of the scheme		-3,367,746
<b>-3,367,746</b>	<b>Closing net assets of the scheme</b>		<b>-3,242,386</b>

# Net Asset Statement

31-Mar-22			31-Mar-23
£000		Notes	£000
3,357,279	Investment assets		3,226,547
-2,521	Investment liabilities		0
<b>3,354,758</b>	<b>Total net investments</b>	Note 14	<b>3,226,547</b>
18,564	Current assets	Note 21	21,634
-5,576	Current liabilities	Note 22	-5,795
<b>12,988</b>	<b>Net current assets</b>		<b>15,839</b>
<b>3,367,746</b>	<b>Closing net assets of the scheme</b>	Note 17a	<b>3,242,386</b>

Notes on pages 51 to 82 form part of the financial statements.

Note: The Fund's financial statements do not take account of the liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.

# Notes to the Pension Fund Accounts

## 1. DESCRIPTION OF THE FUND

The Northamptonshire Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by West Northamptonshire Council. The Council is the reporting entity for this Pension Fund. The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report 2022-23 and the underlying statutory powers underpinning the scheme.

### General

The Fund is governed by the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the LGPS Regulations 2013 (as amended);
- the LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended);
- the LGPS (Management and Investment of Funds) Regulations 2016;
- The Local Government Pension Scheme (Amendment) Regulations 2018.

The Fund is a contributory defined benefit pension scheme administered by West Northamptonshire Council to provide pensions and other benefits for pensionable employees of West Northamptonshire Council and a range of other Scheduled and Admitted Bodies within the county area. Teachers, Police Officers and Firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Northamptonshire Pension Committee, which is a committee of West Northamptonshire Council.

### Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Northamptonshire Pension Fund include:

- Scheduled bodies - local authorities and similar bodies whose staff are automatically entitled to be members of the Fund;

- Admitted bodies - other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.
- Resolution/Designated bodies – These are organisations that can admit their employees to the LGPS by passing their resolution (nominate employees for access to the LGPS) Parish/Town Council are under this category.

As at 31 March 2023 there are 326 (2022: 318) active employers within the Northamptonshire Pension Fund, including the Council itself.

	31-Mar-22	31-Mar-23
<b>Number of employers with active members</b>	318	326

The Fund has over 80,000 individual members, as detailed below:

<b>Number of employees in scheme:</b>	31-Mar-22	31-Mar-23
Administering Authority	5,010	5,309
Other employers	19,045	18,640
<b>Total</b>	<b>24,055</b>	<b>23,949</b>
<b>Number of pensioners:</b>		
Administering Authority	9,002	7,775
Other employers	8,703	10,639
<b>Total</b>	<b>17,705</b>	<b>18,414</b>
<b>Deferred pensioners:</b>		
Administering Authority	13,688	10,112
Other employers	10,938	17,740
<b>Total</b>	<b>24,626</b>	<b>27,852</b>
<b>Undecided leavers:</b>		
Administering Authority	3,986	2,695
Other employers	6,147	7,814
<b>Total</b>	<b>10,133</b>	<b>10,509</b>
<b>Total members</b>	<b>76,519</b>	<b>80,724</b>

# Notes to the Pension Fund Accounts (continued)

## Funding

Benefits are funded by contributions and investment earnings. Currently the level of contribution income is sufficient to fund regular benefit payments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2023.

Employers' contributions are set as part of the triennial actuarial funding valuation. The last such valuation was at 31 March 2022. Employers' contributions comprise a percentage rate on active payroll between 1.2% and 35.2% and deficit payments of fixed cash amounts set for each employer as part of the triennial funding valuation.

## Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service 1 April 2008 to 31 March 2014
<b>Pension</b>	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
<b>Lump Sum</b>	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

## Career Average Revalued Earnings (CARE)

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based upon their pensionable pay in that year at an accrual rate of 1/49th or 1/98th for those members who have taken up the 50/50 option and pay proportionately lower contributions. Accrued pension is updated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, ill health pensions and death benefits. For more details, please refer to the Full Guide which can be found in the member section on the Pension's Fund website. [Member - Pension Details](#)

## 2. BASIS OF PREPARATION

The statement of accounts summarises the fund's transactions for the 2022-23 financial year and its financial position at 31 March 2023. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2022-23* (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 20.

# Notes to the Pension Fund Accounts (continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Fund Account – Revenue Recognition

#### Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the due date on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date. Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid will be classed as a current financial asset.

#### Transfers to and from Other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 8 and 10).

Individual transfers in/out are accounted for on a cash basis.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see page 79) to purchase scheme benefits are accounted for on an accruals basis and are included in Transfers In (see Note 8). Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement. There have been no group transfers in during 2021-22 and 2022-23.

#### Investment Income

##### *i) Interest income*

Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

##### *ii) Dividend income*

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Asset Statement as a current financial asset.

##### *iii) Distributions from pooled funds*

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Asset Statement as a current financial asset.

##### *iv) Movement in the net market value of investments*

Changes in the net market value of investments are recognised as income or expense and comprise all realised and unrealised profits/losses during the year.

### Fund Account – Expense Items

#### Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Asset Statement as current liabilities and paid in the following month.

#### Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

# Notes to the Pension Fund Accounts (continued)

## Management Expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Fund discloses its pension fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

## Administrative Expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension's team are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund in accordance with Council policy.

## Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. The costs of obtaining legal and consultancy advice are charged direct to the Fund. The cost of the Pool are charged direct to the Fund.

## Investment Management Expenses

Investment Management expenses are accounted for on an accruals basis.

Fees of external Investment Managers and the Custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Where an Investment Manager's fee note has not been received by the year end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2022-23, £107K of fees are based upon such estimates (2021-22: £ 0.1m). In addition, manager fees deducted from pooled funds of £12.9m (2021-22: £12.5m) are based upon information received from fund managers.

## Net Asset Statement

### Financial Assets

Financial assets are included in the Net Asset Statement on a fair value basis, except for assets held at amortised cost.

Assets held at amortised cost includes contributions owing from employers and cash deposits. These are initially recognised at fair value and subsequently measured at amortised cost. A financial asset is recognised in the Net Asset Statement on the date the Fund becomes party to the contractual acquisition of the asset.

Investment assets, other than cash held by Investment Managers on the Fund's behalf, are initially recognised at fair value and are subsequently measured at fair value with gains and losses recognised in the Fund Account. The values of investments as shown in the Net Asset Statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

### Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

# Notes to the Pension Fund Accounts (continued)

## Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes (see Note 15). Purchases and sales of derivatives are recognised as follows:

Forward currency contracts settlements are reported as gross receipts and payments.

## Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits held by the Fund and the Fund's external managers.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

## Financial Liabilities

The Fund initially recognises financial liabilities at fair value and subsequently measures them at amortised cost. A financial liability is recognised in the Net Asset Statement on the date the Fund becomes party to the liability.

## Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on an annual basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Asset Statement (see Note 20).

## Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund's AVC providers are Prudential and Standard Life. AVCs are deducted from the individual member's pay and paid to the AVC

provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts, in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, but are disclosed as a note only (see Note 23).

## Contingent Assets and Liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the Net Asset Statement but are disclosed by way of a narrative in the notes.

# Notes to the Pension Fund Accounts (continued)

## 4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

It has not been necessary to make any material critical judgements in applying the accounting policies in 2022-23.

## 5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Balance Sheet date and the amounts reported for the revenues and expenses during the year.

Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the Financial Statements as 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

### Pension Fund Liability

The net Pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

The estimated liability is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19 (disclosure only).

Actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant Investment Management policies, for example in terms of the balance struck between longer term investment growth and short-term investment yield/return.

## Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

- **Uncertainties:** Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rates at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. An independent firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied. The actuary has included the McCloud judgement within their calculation shown in Note 20 (disclosure only).
- **Effect if Actual Results Differ from Assumptions:** The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £57m. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £4m, and a 1 year increase in assumed life expectancy would increase the liabilities by approximately £125m.



# Notes to the Pension Fund Accounts (continued)

## Private Equity

- **Uncertainties:** All private equity investments are valued at fair value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. See Note 16a.
- **Effect if Actual Results Differ from Assumptions:** Total private equity investments at fair value in the financial statements are £236.2m. There is a risk that this investment may be under or overstated in the accounts. Note 18 gives a price sensitivity of Private Equity of 31.2%, which indicates that private equity values may range from £162.4m to £309.9m.

## Infrastructure

- **Uncertainties:** All infrastructure investments are valued at fair value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. See Note 16a.
- **Effect if Actual Results Differ from Assumptions:** Total infrastructure investments at fair value in the financial statements are £220.4m. There is a risk that this investment may be under or overstated in the accounts. Note 18 gives a price sensitivity infrastructure investments of 14.7%, which indicates that infrastructure values may range from £188.0m to £252.8m.

## Property

- **Uncertainties:** Valuation techniques are used to determine the carrying amount of pooled property funds. Where possible management uses the best available data. Uncertainties including changes in rental growth, covenant strength for existing tenancies, discount rate could affect the fair value of the property investments.
- **Effect if Actual Results Differ from Assumptions:** Total property investments in the financial statements are £202.0m. There is a risk that this investment may be under or overstated in the accounts. Note

18 gives a price sensitivity pooled property investments of 15.5%, which indicates that infrastructure values may range from £170.8m to £233.4m

## 6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2023, and up to the date when these accounts were authorised that require any adjustments to these accounts.

## 7. CONTRIBUTIONS RECEIVABLE

### By category:

31-Mar-22		31-Mar-23
£000		£000
24,668	Employees' contributions	26,864
	<b>Employers' contributions:</b>	
77,111	Normal contributions	81,859
20,998	Deficit recovery contributions	21,377
98,109	<b>Total employers' contributions</b>	<b>103,236</b>
<b>122,777</b>		<b>130,100</b>

### By authority:

31-Mar-22		31-Mar-23
£000		£000
28,695	Administering authority	27,856
90,886	Scheduled bodies	99,313
3,196	Admitted bodies	2,931
<b>122,777</b>		<b>130,100</b>

## 8. TRANSFERS IN FROM OTHER PENSION FUNDS

31-Mar-22		31-Mar-23
£000		£000
12,203	Individual transfers	16,937
<b>12,203</b>		<b>16,937</b>

# Notes to the Pension Fund Accounts (continued)

## 9. BENEFITS PAYABLE

### By category:

31-Mar-22		31-Mar-23
£000		£000
83,863	Pensions	88,236
16,665	Commutation and lump sum retirement benefits	14,282
2,885	Lump sum death benefits	2,982
<b>103,413</b>		<b>105,500</b>

### By authority:

31-Mar-22		31-Mar-23
£000		£000
24,072	Administering authority	24,355
72,151	Scheduled bodies	73,630
7,190	Admitted bodies	7,515
<b>103,413</b>		<b>105,500</b>

## 10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

31-Mar-22		31-Mar-23
£000		£000
676	Refunds to members leaving service	546
9,020	Individual transfers	10,102
<b>9,696</b>		<b>10,648</b>

## 11. MANAGEMENT EXPENSES

31-Mar-22		31-Mar-23
£000		£000
2,268	Administrative costs	2,483
12,884	Investment management expenses	13,221
812	Oversight and governance costs	911
<b>15,964</b>		<b>16,615</b>

# Notes to the Pension Fund Accounts (continued)

## 12. INVESTMENT MANAGEMENT EXPENSES

2022/23	Management Fees	Performance Related Fees	Transaction Costs	Other Costs	Total
	£000	£000	£000	£000	£000
Pooled investments	6,403	0	8	410	6,821
Pooled property investments	442	0	451	153	1,046
Private equity/infrastructure	2,947	1,778	0	603	5,328
Custody	0	0	0	26	26
<b>Total</b>	<b>9,792</b>	<b>1,778</b>	<b>459</b>	<b>1,192</b>	<b>13,221</b>

2021/22	Management Fees	Performance Related Fees	Transaction Costs	Other Costs	Total
	£000	£000	£000	£000	£000
Pooled investments	6,546	0	0	398	6,944
Pooled property investments	392	0	398	473	1,263
Private equity/infrastructure	2,288	2,015	0	362	4,665
Custody	0	0	0	12	12
<b>Total</b>	<b>9,226</b>	<b>2,015</b>	<b>398</b>	<b>1,245</b>	<b>12,884</b>

## 13. INVESTMENT INCOME

31-Mar-22	31-Mar-23
£000	£000
19 Income from equities	29
14,261 Pooled investments – unit trusts and other managed funds	20,542
7,927 Pooled property investments	8,553
6,694 Private equity/infrastructure income	3,956
19 Interest on cash deposits	947
<b>28,920</b>	<b>34,027</b>

# Notes to the Pension Fund Accounts (continued)

## 14. INVESTMENTS

31-Mar-22		31-Mar-23
£000		£000
	<b>Investment assets</b>	
	Pooled investments	
321,249	• UK Equity Funds	329,402
1,499,989	• Global Equity Funds	1,420,172
327,080	• Index Linked Bonds	268,056
311,757	• Multi Asset Credit Funds	311,629
221,650	• Diversified Growth Funds	202,763
217	• Cash Funds	2,210
249,167	Pooled property investments	202,074
187,426	Private equity	236,185
201,861	Infrastructure	220,402
36,374	Cash deposits	33,339
509	Investment income due	315
<b>3,357,279</b>	<b>Total investment assets</b>	<b>3,226,547</b>
	<b>Investment liabilities</b>	
-2,521	Amounts payable for purchases	0
<b>-2,521</b>	<b>Total investment liabilities</b>	<b>0</b>
<b>3,354,758</b>	<b>Net investment assets</b>	<b>3,226,547</b>

# Notes to the Pension Fund Accounts (continued)

## 14(a). RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market value 01-Apr-22 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market value 31-Mar-23 £000
Pooled investments	2,681,942	69,931	-65,033	-152,608	2,534,232
Pooled property investments	249,167	643	-4,806	-42,930	202,074
Private equity	187,426	56,159	-17,506	10,106	236,185
Infrastructure	201,861	13,447	-7,504	12,598	220,402
	<b>3,320,396</b>	<b>140,180</b>	<b>-94,849</b>	<b>-172,834</b>	<b>3,192,893</b>
<b>Derivative contracts:</b>					
• Forward currency contracts	0	4	-2	-2	0
	<b>3,320,396</b>	<b>140,184</b>	<b>-94,851</b>	<b>-172,836</b>	<b>3,192,893</b>
<b>Other investment balances:</b>					
• Cash deposits	36,374				33,339
• Amount receivable for sales	0				0
• Investment income due	509				315
• Spot FX contracts	0				0
• Amounts payable for purchases of investments	-2,521				0
<b>Net investment assets</b>	<b>3,354,758</b>				<b>3,226,547</b>

# Notes to the Pension Fund Accounts (continued)

## 14(a). RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES (CONTINUED)

	Market value 01-Apr-21	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31-Mar-22
	£000	£000	£000	£000	£000
Equities	17	0	-3	-14	0
Pooled investments	2,544,031	42,856	-31,750	126,805	2,681,942
Pooled property investments	185,516	36,836	-10,947	37,762	249,167
Private equity	113,353	44,527	-22,635	52,181	187,426
Infrastructure	196,471	2,402	-9,655	12,643	201,861
	<b>3,039,388</b>	<b>126,621</b>	<b>-74,990</b>	<b>229,377</b>	<b>3,320,396</b>
<b>Derivative contracts:</b>					
• Forward currency contracts	0	1	-2	1	0
	<b>3,039,388</b>	<b>126,622</b>	<b>-74,992</b>	<b>229,378</b>	<b>3,320,396</b>
<b>Other investment balances:*</b>					
• Cash deposits	51,483				36,374
• Amount receivable for sales	530				0
• Investment income due	484				509
• Spot FX contracts	0				0
• Amounts payable for purchases of investments	-390				-2,521
<b>Net investment assets*</b>	<b>3,091,495</b>				<b>3,354,758</b>

# Notes to the Pension Fund Accounts (continued)

## 14(b). INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31-Mar-22		Market value 31-Mar-23	
£000	% of net investment assets	£000	% of net investment assets
<b>Investments managed under Pooled Governance:</b>			
1,493,631	44	1,480,060	46
1,030,982	31	904,078	28
<b>2,524,613</b>	<b>75</b>	<b>2,384,138</b>	<b>74</b>
<b>Investments managed outside Pooled Governance:</b>			
82,254	2	105,919	3
17,134	1	11,927	0
34,709	1	35,040	1
157,117	5	147,905	5
540	0	585	0
248,485	7	213,119	7
104,633	3	129,681	4
58,329	2	67,556	2
44,683	1	58,579	2
60,810	2	61,722	2
21,451	1	10,376	0
<b>830,145</b>	<b>25</b>	<b>842,409</b>	<b>26</b>
<b>3,354,758</b>	<b>100</b>	<b>3,226,547</b>	<b>100</b>

- All the above companies are registered in the United Kingdom.

# Notes to the Pension Fund Accounts (continued)

The following investments represent more than 5% of the Net Asset Statement of the scheme as at 31<sup>st</sup> March 2023.

Security	31-Mar-22	% of total fund	31-Mar-23	% of total fund
	£000	%	£000	%
LF ACCESS UK Equity - Liontrust	293,857	9	301,193	9
LF ACCESS Baillie Gifford Diversified Growth Fund	221,650	7	195,631	6
UBS Asset Management Life Over 5 Year Index Linked Gilts	327,080	10	268,056	8
LF ACCESS M&G Alpha Opportunities Fund	n/a	n/a	163,724	5
LF ACCESS Global Equity - Newton Investment Management	313,721	9	313,842	10
LF ACCESS Baillie Gifford Long Term Global Growth Fund	223,255	7	202,763	6
LF ACCESS Longview Global Equity	286,508	9	302,907	9
	<b>1,666,071</b>		<b>1,748,116</b>	



# Notes to the Pension Fund Accounts (continued)

## 15. ANALYSIS OF DERIVATIVES

### Objectives and Policies for Holding Derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the Investment Management agreement agreed between the Fund and the various Investment Managers.

#### • Futures

There were no outstanding exchange traded future contracts at 31 March 2023 or 31 March 2022.

#### • Options

There were no outstanding option contracts at 31 March 2023 or 31 March 2022.

#### • Forward foreign currency

To maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund has a passive currency programme in place managed by the Fund managers.

There is no specified requirement to use currency hedging within the Fund's Investment Management Agreements. Instead, the Fund managers use their discretion as to whether any currency hedging should be used to mitigate any potential risk.

Settlement	Currency bought	Local Value	Currency sold	Local Value	Asset Value	Liability Value
		Currency		Currency		
One to six months	GBP	43,695	EUR	-49,675	0	0
<b>Total</b>					<b>0</b>	<b>0</b>
Net forward currency contracts at 31 March 2023						<b>0</b>
<b>Prior year comparative</b>						
Open forward currency contracts at 31 March 2022						<b>0</b>
Net forward currency contracts at 31 March 2022						<b>0</b>

# Notes to the Pension Fund Accounts (continued)

## 16. FAIR VALUE

### Valuation of Financial Instruments Carried at Fair Value

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur. The Fund has adopted the classification guidelines recommended in the Practical Guidelines on Investment Disclosures (PRAG/Investment Association, 2016).

**Level 1** Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index-linked securities and unit trusts.

**Level 2** Assets and liabilities at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value. The price used is based upon inputs from observable market data.

**Level 3** Assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Northamptonshire Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2022, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

### 16(a). FAIR VALUE HIERARCHY

The following tables provides an analysis of the financial assets at fair value through profit and loss of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable:

Values at March 2023	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	£000	£000	£000	£000
Pooled investments	2,210	2,532,022	0	2,534,232
Pooled property investments	0	0	202,074	202,074
Private equity	0	0	236,185	236,185
Infrastructure	0	0	220,402	220,402
Cash and Cash Equivalents	33,339	0	0	33,339
<b>Net investment assets</b>	<b>35,549</b>	<b>2,532,022</b>	<b>658,661</b>	<b>3,226,232</b>

Values at March 2022	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	£000	£000	£000	£000
Pooled investments	217	2,681,725	0	2,681,942
Pooled property investments	0	0	249,167	249,167
Private equity	0	0	187,426	187,426
Infrastructure	0	0	201,861	201,861
Cash and Cash Equivalents	36,327	0	0	36,327
<b>Net investment assets</b>	<b>36,544</b>	<b>2,681,725</b>	<b>638,454</b>	<b>3,356,723</b>

# Notes to the Pension Fund Accounts (continued)

All assets have been valued using fair value techniques which represent the highest and best price at the reporting date. The fair valuation of each class of investment asset is set out below.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
<b>Cash and cash equivalents</b>	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
<b>Pooled Investments</b>	Level 2	Net Asset Value / Bid Market Price.	Evaluated price feeds	Not required
<b>Pooled Investments</b>	Level 2	Average of broker prices.	Evaluated price feeds	Not required
<b>Forward Foreign exchange derivatives</b>	Level 2	Market forward exchange rates at theyear-end	Exchange rate risk	Not required
<b>Property</b>	Level 3	Valued by investment managers on a fair value basis each year using PRAG guidance	NAV-based pricing set on a forward pricing basis	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
<b>Private Equity</b>	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020)	Price Earnings or EBITDA multiple	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
<b>Infrastructure</b>	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2022 and the IPEV Board's Special Valuation Guidance (March 2020)	Price Earnings or EBITDA multiple	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts

# Notes to the Pension Fund Accounts (continued)

## Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with Independent Investment Advisors, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023.

Asset Type	Market Value as at 31-Mar-23	Assessed valuation range % (+/-)	Value on Increase	Value on Decrease
	£000		£000	£000
Private equity	236,185	31.2	309,875	162,495
Infrastructure	220,402	14.7	252,801	188,003
Property funds	202,074	15.5	233,395	170,753
<b>Total Assets</b>	<b>658,661</b>		<b>796,071</b>	<b>521,251</b>

## 16(b). RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Period 2022-23	Market value 01- Apr-22	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Realised gains/(losses)	Market value 31-Mar-23
	£000	£000	£000	£000	£000	£000
Private Equity	187,426	56,159	-17,506	4,189	5,917	236,185
Infrastructure	201,861	13,447	-7,504	12,618	-20	220,402
Property funds	249,167	643	-4,806	-42,512	-418	202,074
<b>Total</b>	<b>638,454</b>	<b>70,249</b>	<b>-29,816</b>	<b>-25,705</b>	<b>5,479</b>	<b>658,661</b>

All transfers between levels are recognised in the month in which they occur.

# Notes to the Pension Fund Accounts (continued)

## 17. FINANCIAL INSTRUMENTS

### 17(a). CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial assets and liabilities by category and Net Asset Statement heading. No financial assets were reclassified during the year.

31-Mar-22			31-Mar-23		
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
£000	£000	£000	£000	£000	£000
<b>Financial assets</b>					
2,681,942	0	0	2,534,232	0	0
249,167	0	0	202,074	0	0
187,426	0	0	236,185	0	0
201,861		0	220,402		
0	0	0	0	0	0
36,327	8,706	0	33,339	14,109	0
0	509	0	0	315	0
0	9,905	0	0	7,525	0
<b>3,356,723</b>	<b>19,120</b>	<b>0</b>	<b>3,226,232</b>	<b>21,949</b>	<b>0</b>
<b>Financial liabilities</b>					
0	0	0	0	0	0
0	0	-2,521	0	0	0
0	0	-5,576	0	0	-5,795
<b>0</b>	<b>0</b>	<b>-8,097</b>	<b>0</b>	<b>0</b>	<b>-5,795</b>
<b>3,356,723</b>	<b>19,120</b>	<b>-8,097</b>	<b>3,226,232</b>	<b>21,949</b>	<b>-5,795</b>
<b>3,367,746</b>			<b>Total</b>		
			<b>3,242,386</b>		

# Notes to the Pension Fund Accounts (continued)

## 17(b). NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31-Mar-22		31-Mar-23
£000		£000
<b>Financial assets:</b>		
229,377	Fair value through profit and loss	-172,834
99	Loans and receivables	-747
<b>Financial liabilities:</b>		
1	Fair Value through profit and loss	-2
-48	Loans and receivables	-78
<b>229,429</b>	<b>Total gains/(losses)</b>	<b>-173,661</b>

## 18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall Pension Fund Risk Management Programme.

[Risk Strategy Statement](#)

Responsibility for the Fund's Risk Management Strategy rests with the Pensions Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

### a) Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's Risk Management Strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment Advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

# Notes to the Pension Fund Accounts (continued)

## Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's Investment Managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund Investment Strategy.

## Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year in consultation with the Fund's investment Advisors, the Council has determined that the following movements in market price risk would have reasonably been possible for the 2022-23 reporting period. The potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment Advisors most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	Potential Market Movement +/- (%p.a.)
UK pooled equities	18.2
Global pooled equities	19.0
Index linked bonds	7.2
Multi asset credit	7.8
Diversified growth	8.9
Property	15.5
Private Equity	31.2
Infrastructure	14.7
Cash and other investment balances	0.3

# Notes to the Pension Fund Accounts (continued)

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows:

<b>31-Mar-23</b>	<b>Value as at</b>	<b>% (rounded)</b>	<b>Value on</b>	<b>Value on</b>
<b>Asset Type</b>	<b>31-Mar-23</b>	<b>Change</b>	<b>Increase</b>	<b>Decrease</b>
	<b>£000</b>		<b>£000</b>	<b>£000</b>
UK pooled equities	329,402	18.2	389,353	269,451
Global pooled equities	1,420,172	19.0	1,690,005	1,150,339
Index linked bonds	268,056	7.2	287,356	248,756
Multi asset credit	311,629	7.8	335,936	287,322
Diversified growth	202,763	8.9	220,809	184,717
Property	202,074	15.5	233,395	170,753
Private Equity	236,185	31.2	309,875	162,495
Infrastructure	220,402	14.7	252,801	188,003
Cash and other investment balances	35,864	0.3	35,972	35,756
<b>Total Assets</b>	<b>3,226,547</b>		<b>3,755,502</b>	<b>2,697,592</b>

<b>31-Mar-22</b>	<b>Value as at</b>	<b>% (rounded)</b>	<b>Value on</b>	<b>Value on</b>
<b>Asset Type</b>	<b>31-Mar-22</b>	<b>Change</b>	<b>Increase</b>	<b>Decrease</b>
	<b>£000</b>		<b>£000</b>	<b>£000</b>
UK pooled equities	321,249	19.9	385,178	257,320
Global pooled equities	1,499,989	20.1	1,801,487	1,198,491
Index linked bonds	327,080	7.3	350,957	303,203
Multi asset credit	311,757	7.4	334,827	288,687
Diversified growth	221,650	9.1	241,820	201,480
Property	249,167	15.0	286,542	211,792
Private Equity	187,426	31.2	245,903	128,949
Infrastructure	201,861	13.3	228,709	175,013
Cash and other investment balances	34,579	0.3	34,683	34,475
<b>Total Assets</b>	<b>3,354,758</b>		<b>3,910,106</b>	<b>2,799,410</b>



# Notes to the Pension Fund Accounts (continued)

## Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment consultant in accordance with the Fund's Risk Management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Fund's direct exposure to interest rate movements as at 31 March 2023 and 31 March 2022 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

## Interest Rate Risk Sensitivity Analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. An 80 basis point (BPS) (i.e. 0.80%) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's Risk Management strategy. The Fund's investment consultant has advised that long-term average rates are expected to move less than 80 basis points from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1.0%) change in interest rates:

31-Mar-22	Asset Type	31-Mar-23
£000		£000
327,080	Index linked bonds	268,056
311,757	Multi asset credit	311,629
<b>638,837</b>	<b>Total</b>	<b>579,685</b>

Exposure to interest rate risk	Asset values at	Impact of 1%	Impact of 1%
	31-Mar-23	decrease	increase
	£000	£000	£000
Index linked bonds	268,056	270,737	265,375
Multi asset credit	311,629	314,745	308,513
<b>Total change in assets available</b>	<b>579,685</b>	<b>585,482</b>	<b>573,888</b>

Exposure to interest rate risk	Asset values at	Impact of 1%	Impact of 1%
	31-Mar-22	decrease	increase
	£000	£000	£000
Index-linked securities	327,080	330,351	323,809
Multi asset credit	311,757	314,875	308,639
<b>Total change in assets available</b>	<b>638,837</b>	<b>645,226</b>	<b>632,448</b>

# Notes to the Pension Fund Accounts (continued)

Exposure to interest rate risk	Interest receivable	Value on 1% increase	Value on 1% decrease
	2022-23		
	£000	£000	£000
Cash deposits, cash and cash equivalents	947	956	938
Multi asset credit	3,020	3,050	2,990
<b>Total</b>	<b>3,967</b>	<b>4,006</b>	<b>3,928</b>

Exposure to interest rate risk	Interest receivable	Value on 1% increase	Value on 1% decrease
	2021-22		
	£000	£000	£000
Cash deposits, cash and cash equivalents	19	19	19
Multi asset credit	5,459	5,514	5,404
<b>Total</b>	<b>5,478</b>	<b>5,533</b>	<b>5,423</b>

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of the assets and the income received from investments impact on the net assets available to pay benefits.

## Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The Fund's currency rate risk is routinely monitored by the Investment Sub Committee and its Investment Advisors in accordance with the Fund's Risk Management Strategy, including monitoring the range of exposure to currency fluctuations.

The Fund has partially hedged the currency exposures on its equity investments by transferring into currency hedged share classes of its passive equity funds.

# Notes to the Pension Fund Accounts (continued)

## Currency Risk – Sensitivity Analysis

Following analysis of historical data with the Fund’s Advisors, the Council considers the likely volatility associated with foreign exchange rate movements to be 9.9% (the 1 year expected standard deviation). A 9.9% (31 March 2022: 9.5%) fluctuation in the currency is considered reasonable based on the Fund Advisors analysis of long-term historical movements in the month-end exchange rates over a rolling 36 month period. This analysis assumes that all other variables, in particular interest rates, remain constant. A 9.9% strengthening/weakening of the pound against the various currencies in which the fund holds investments would decrease/increase the net assets available to pay benefits as follows.

Assets exposed to currency risk	Value at 31-Mar-23 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas equities - hedged	234,102	0	234,102	234,102
Overseas equities - unhedged	1,186,070	117,421	1,303,491	1,068,649
Overseas fixed income	147,905	14,643	162,548	133,262
Overseas cash fund	2,210	219	2,429	1,991
<b>Total</b>	<b>1,570,287</b>	<b>132,282</b>	<b>1,702,569</b>	<b>1,438,005</b>

Assets exposed to currency risk	Value at 31-Mar-22 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas equities - hedged	259,145	0	259,145	259,145
Overseas equities - unhedged	1,240,844	117,880	1,358,724	1,122,964
Overseas fixed income	157,117	14,926	172,043	142,191
Overseas cash fund	217	21	238	196
<b>Total</b>	<b>1,657,323</b>	<b>132,827</b>	<b>1,790,150</b>	<b>1,524,496</b>

## b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund’s financial assets and liabilities. In essence the Fund’s entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

# Notes to the Pension Fund Accounts (continued)

Contractual credit risk is represented by the net payment or receipts that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognized rating agency, Standard & Poor's. Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution.

The Council believes it has managed its exposure to credit risk and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2023 was £47.4m (31 March 2022: £45.0m). This was held with the following institutions:-

	Rating	31-Mar-22 £000	31-Mar-23 £000
<b>Money market funds</b>			
Northern Trust Global Investors Global Cash Fund	AAAm	36,327	33,295
<b>Bank deposit account</b>			
Barclays Bank	A-1	8,659	14,109
<b>Bank current accounts</b>			
Northern Trust custody accounts	A-1+	47	44
<b>Total</b>		<b>45,033</b>	<b>47,448</b>

## c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs and also cash to meet investment commitments.

The Fund has immediate access to its cash holdings, with the exception of holdings that are for a fixed term when the deposit is placed. The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2023 the value of illiquid assets was £658.6m, which represented 20.3% of the total Fund assets (31 March 2022: £638.5m, which represented 19.0% of the total Fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund Investment Strategy. All financial liabilities at 31 March 2023 are due within one year.

## d) Refinancing Risk

A key risk for a Pension Fund is that it may be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its Investment Strategy.

# Notes to the Pension Fund Accounts (continued)

## 19. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022. The next valuation will take place as at 31 March 2025 and will be published in 2026.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where the Administering Authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a maximum period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. Where an employer's funding level is less than 100%, a deficit recovery plan is put in place requiring additional contributions from the employer to meet the shortfall.

At the 2022 actuarial valuation, the Fund was assessed as 113% funded (93% at the March 2019 valuation). This corresponded to a surplus of £380m (2019 valuation: deficit of £176m) at that time.

The Contribution Objective is achieved by setting employer contributions which are likely to be sufficient to meet both the cost of new benefits accruing and to address any funding deficit relative to the funding target over the agreed time horizon. A secondary objective is to maintain where possible relatively stable employer contribution rates.

For each employer in the Fund, to meet the Contribution Objective, a primary contribution rate has been calculated in order to fund the cost of new benefits accruing in the Fund. Additionally, if required, a secondary contribution rate has also been calculated to target a fully funded position within the employer's set time horizon.

The table below summarizes the whole fund Primary and Secondary Contribution rates at the 2022 triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary and secondary rates, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate %	Secondary Rate		
1 April 2023 to 31 March 2026: 20.5%	2023-24: £8,586,000	2024-25: £8,155,000	2025-26: £7,660,000

The Primary rate above includes an allowance of 0.8% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% of pensionable pay. Full details of the contribution rates payable can be found in the 2022 actuarial valuation report and the funding strategy statement on the Fund's website.

# Notes to the Pension Fund Accounts (continued)

## Basis of Valuation

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

## Financial Assumptions

A summary of the main financial assumptions adopted for the valuation of members' benefits are shown below.

Assumption	31-Mar-19	31-Mar-22
Price Inflation (CPI)/ Pension increases	2.3%	2.7%
Pay increases	2.8%	3.2%
Discount rate	3.9%	4.4%

Allowance for the McCloud remedy has been included for this expected benefit change at the 2022 valuation as directed by the Department of Levelling Up, Housing and Communities.

## Mortality Assumptions

Assumed life expectancy at age 65	Active and Deferred Members		Current Pensioners	
	Male	Female	Male	Female
2019 valuation	22.3	25.1	21.5	23.7
2022 valuation	22.5	25.8	21.6	24.3

Note that the figures for active and deferred members assume that they are aged 45 at the valuation date.

Various scaling factors have been applied to the mortality tables to reflect the predicted longevity for each class of member and their dependents.

## Other Demographic Valuation Assumptions:

- a) **Retirements in ill-health** - Allowance has been made for ill-health retirements before normal pension age.
- b) **Withdrawals** - Allowance has been made for withdrawals from service.
- c) **Retirements age**- The earliest age at which a member can retire with their benefits unreduced.
- d) **Death in Service** - Allowance has been made for death in service.
- e) **Promotional salary increases** - Allowance has been made for promotional salary increases.
- f) **Proportion married** - A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than him and the dependant of a female member is assumed to be 3 years older than her.
- g) **Commutation** - 55% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits.
- h) **50:50 option** - 1.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option.

# Notes to the Pension Fund Accounts (continued)

## 20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In order to assess the value of the benefits on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19). The actuary has also used valued ill health and death benefits in line with IAS 19.

31-Mar-22		31-Mar-23
£m		£m
-4,418	Present value of promised retirement benefits	-3,136
3,368	Fair value of scheme assets (bid value)	3,242
<b>-1,050</b>	<b>Net liability</b>	<b>106</b>

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2022 triennial funding valuation (see Note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

### Assumptions Used

31-Mar-22	Assumption	31-Mar-23
% p.a.		% p.a.
3.20	Inflation/pension increase rate assumption	2.95
3.70	Salary increase rate	3.45
2.70	Discount rate	4.75

# Notes to the Pension Fund Accounts (continued)

## 21. CURRENT ASSETS

31-Mar-22	31-Mar-23
£000	£000
<b>Debtors:</b>	
2,044 Contributions due – members	1,850
6,286 Contributions due – employers	5,505
1,575 Other debtors	170
<b>9,905</b>	<b>7,525</b>
8,659 Cash balances	14,109
<b>8,659</b>	<b>14,109</b>
<b>18,564</b>	<b>21,634</b>

## 22. CURRENT LIABILITIES

31-Mar-22	31-Mar-23
£000	£000
661 Benefits payable	818
4,915 Other creditor	4,977
<b>5,576</b>	<b>5,795</b>

## 23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

31-Mar-22	31-Mar-23
£000	£000
5,444 Prudential	5,054
645 Standard Life	545
<b>6,089</b>	<b>5,599</b>

## 24. AGENCY SERVICES

Agency Services represent activities administered by the Fund on behalf of scheme employers which are not included within the Fund Account but are provided as a service and are fully reclaimed from the employer bodies.

31-Mar-22	31-Mar-23
£000	£000
2,248 Unfunded pensions	2,233
<b>2,248</b>	<b>2,233</b>

Total contributions of £XXk (2021-22: £148k) were paid directly to Prudential during the year. Total contributions of £14k (2021-22: £7k) were paid directly to Standard Life during the year.



# Notes to the Pension Fund Accounts (continued)

## 25. RELATED PARTIES TRANSACTIONS

### West Northamptonshire Council

The Northamptonshire Pension Fund is administered by West Northamptonshire Council. Consequently, there is a strong relationship between the Council and the Fund. The Council incurred costs of £2.6m (2021-22: £2.2m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

The Council is also the single largest employer of members of the Pension Fund and contributed £27.9m of employer's contributions to the Fund in 2022-23 (2021-22: £23.6m). At 31 March 2023 there was £1.5m due to the Fund by the Council (31 March 2022: £1.9k was due to the Fund by the Council).

### Governance

The following members of the Pension Fund Committee declared a personal interest due to either being a member of the scheme themselves or having a family member in the scheme;

Councillor Lloyd Bunday, Andy Langford, Peter Borley-Cox and Robert Austin.

The following members are on the Board or an employee of an employer body in the Pension Fund;

Councillor Graham Lawman, Peter Borley-Cox, Robert Austin and Paul Wheeler.

Council members have declared their interests in their Register of Members' Interests. Other members of the Pensions Committee are required to declare their interests at each meeting.

## 25 (a). KEY MANAGEMENT PERSONNEL

The administration of the Fund is provided by West Northamptonshire Council (lead authority) in partnership with Cambridgeshire County Council. The Head of Pensions reports directly to Assistant Director of Finance at West Northamptonshire Council, whose costs are reported in the West Northamptonshire Council statement of accounts. Other key personnel include the Section 151 Officer.

31-Mar-22	31-Mar-23
£000	£000
56 Short-term benefits	59
3 Post-employment benefits	-201
<b>59</b>	<b>-142</b>

Post-employment benefits to 31 March 2022 are based on a roll forward from the 2019 valuation. The post employment benefits to 31 March 2023 are based on a roll forward from the 2022 valuation, this "step change" can lead to a sizable remeasurement to the obligations. For more information see Note 19 and 20.

## 26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2023 totalled £115.1m (31 March 2022: £181.4m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between three and fifteen years from the date of each original commitment.

## 27. CONTINGENT ASSETS

Twelve admitted body employers in the Northamptonshire Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default.

# Notes to the Pension Fund Accounts (continued)

## 28. ASSET POOLING

The Northamptonshire Pension Fund has joined with ten other Local Government Pension Schemes (LGPS) Administering Authorities to form the ACCESS (A Collaboration of Central, Eastern and Southern Shires) Pool. The other members of the ACCESS Pool are:

Cambridgeshire, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Suffolk and West Sussex.

On 31 March 2023 collectively the pool has assets of £60bn (of which 58.5% has been pooled) serving 3,500 employers with over 1.2 million members including 310,000 pensioners.

The ACCESS Pool is not a legal entity in itself but is governed by the Inter Authority Agreement (IAA) signed by each Administering Authority established in 2017. The IAA sets out the terms of reference and constitution of ACCESS.

The formal decision-making body within the ACCESS Pool is the ACCESS Joint Committee. The Joint Committee has been appointed by the 11 Administering Authorities under s102 of the Local Government Act 1972, with delegated authority from the Fund Council of each Administering Authority to exercise specific functions in relation to the Pooling of Pension Fund assets.

The Joint Committee is responsible for ongoing contract management and budget management for the Pool and is supported by the Section 151 Officers Group, Officer Working Group and the ACCESS Support Unit. More information on the ACCESS pool can be found on their website: [ACCESS Pool](#).

# Glossary

**ACCRUAL** An amount to cover income or spending that belongs to the accounting year, which was outstanding at the accounting date.

**ACTUARY** An independent company which advises on the assets and liabilities of the Fund with the aim to ensure that the payment of pensions and future benefits are met.

**ACS** Authorised Contractual Scheme

**ADMITTED BODIES** Voluntary and charitable bodies whose staff can become members of the Local Government Pension Scheme subject to certain terms and conditions and other organisations to whom Local Government employees have been transferred under the outsourcing of Local Government services.

**AJC ACCESS** Join Governance Committee

**BOND** Security issued by a corporate or government body borrowing in the capital markets. Bonds promise to pay interest (coupons) during the life of the bond plus the principal sum borrowed on the redemption date. Bonds may be secured over assets of the firm or be unsecured.

**CASH EQUIVALENTS** Assets which are readily convertible into cash.

**CIPFA** Chartered Institute of Public Finance and Accountancy

**COMMUTATION** Giving up part or all of the pension payable from retirement in exchange for an immediate lump sum. Commutation factors (usually calculated by the Fund Actuary) are used to determine the amount of pension which needs to be given up in order to provide the lump sum.

**CONTINGENT ASSETS AND LIABILITIES** Are assets and liabilities that may or may not be incurred depending on the outcome of a future event.

**CONVERTIBLE** Unsecured loan stock (bond) which converts into equity of the issuing company. The UK Government also issues convertible gilts

which convert into other government stock.

**COUPON** The regular payment made on bonds.

**CURRENT ASSETS** Short-term assets such as inventories, receivables and bank balances.

**CURRENT LIABILITIES** Amounts owed which are due to be settled in less than one year, such as bank overdrafts and money owed to suppliers.

**CUSTODIAN** An external body responsible for ensuring Fund assets are registered in the name of the Fund, managing the settlement of trades entered into by the Fund, collecting income arising on Fund assets and reporting transactions and values to the Fund on a regular basis.

**DEFICIT** An outcome as a result of taking away all expenses from income. Additionally, the Fund is in deficit when the liabilities are larger than assets.

**DERIVATIVE** A financial instrument derived from a security, currency or commodity, or an index indicator representing any of these, the price of which will move in a direct relationship to the price of the underlying instrument. Derivatives can be used for a number of purposes - including insuring against price movements (hedging), increasing exposure to price movements for speculation or getting access to otherwise hard to trade assets or markets.

**DIVIDEND** The distribution of profits by a company to its shareholders. The dividend may be passed or cut if profits fall. [See also Equities]

**EQUITIES** Shares representing the capital of a company issued to shareholders usually with voting rights on the way the company runs the business. Equity holders rank last in the event of the winding up of a company.

# Glossary (continued)

**FINANCIAL INSTRUMENTS** Contracts which give rise to a financial asset of one entity and a financial liability or equity instrument of another.

**FUTURES** Instruments which give a buyer the right to purchase a commodity at a future date.

**GMP** Guaranteed Minimum Pension

**HEDGE** To protect a fund from a fall in prices. This is usually accomplished by the selling of futures.

**IAS** International Accounting Standards

**IAS19** outlines the accounting requirements for employee benefits, including short-term benefits, post-employment benefits such as retirement benefits, other long-term benefits and termination benefits.

**IDRP** Internal Dispute Resolution Procedures

**INDEX LINKED** Stock whose value is related directly to an index, usually the Retail Price Index and therefore provides a hedge against inflation.

**INTEREST YIELD** The annual coupon on a bond divided by the price of a bond which is quoted without accrued interest.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)** Accounting Standards, Interpretations and the Framework adopted by the International Accounting Standards Board (IASB).

**ISC** Investments Sub-Committee

**LOAN STOCK** Unsecured bonds, which may be convertible if they have a warrant attached.

**LPB** Local Pension Board.

**PENSION STRAIN** Charges to employers to cover discretionary early retirement costs, which are the responsibility of the employer, recovered in the first year of retirement in full.

**PLSA** Pensions and Lifetime Savings Association.

**PORTFOLIO** A collection of investments. This can refer to the investments managed by a particular Investment Manager, or to describe the whole Fund's investments.

**RELATED PARTY** A person or an organisation which has influence over another person or organisation.

**SCHEDULED BODIES** Local Authorities and similar bodies whose staff are entitled automatically to become members of the local Authority Pension Fund.

**STOCK** Shares (e.g. Common stock). However, UK Gilts are more correctly described as stock.

**SURPLUS** An outcome as a result of taking away all expenses from income. Additionally, the Fund is in surplus when the assets are larger than liabilities.

**TRANSFER VALUES** Sums which are paid either to or received from other pension schemes and relate to new and former members' periods of pensionable employment with employers participating in the scheme.

**TREASURY MANAGEMENT** A process which plans, organises and controls cash, investments and borrowings so as to optimise interest and currency flows, and minimise the cost of funds.

**UNDECIDED LEAVER** A member who has left employment but their pension benefits have yet to be calculated

**UNFUNDED** Pension benefits not funded by the Pension Fund. Benefits are fully reclaimed from the employer bodies.

**UNIT TRUST** An open-ended trust investing in a wide spread of stocks, shares and cash (subject to FSA limits). Investors buy units directly from the Investment manager to participate in a diversified portfolio. Unit trusts are subject to FSA investment and borrowing regulations.

# WEST NORTHAMPTONSHIRE COUNCIL

## AUDIT AND GOVERNANCE COMMITTEE

26 July 2023

Report Title	Grant Thornton Audit Plan for Northamptonshire Pension Fund 2022-23
Report Author	Fiona Coates, <a href="mailto:Fiona.Coates@westnorthants.gov.uk">Fiona.Coates@westnorthants.gov.uk</a>

### Contributors/Checkers/Approvers

West MO	Catherine Whitehead	
West S151	Martin Henry	14/07/23

### List of Appendices

#### Appendix A – Northamptonshire Pension Fund Audit Plan Year ended 31 March 2023

Author: Grant Thornton (GT)

#### 1. Purpose of Report

---

- 1.1 To present the Pensions Committee with the External Audit Plan from Grant Thornton, the Fund's external auditor.

#### 2. Executive Summary

---

- 2.1 Grant Thornton act as the Northamptonshire Pension Fund's external auditors. As the external auditors they have produced a plan of the upcoming audit 2022-23 of the Northamptonshire Pension Fund.
- 2.2 The key risks and areas of focus for Grant Thornton are valuation of Level 3 investments, management over-ride of controls, and the triennial valuation.
- 2.3 Planning materiality for investment related transactions is £48.1m, 1.5% of estimated gross assets. Planning materiality for non-investment related transactions is £12.9m, 10% of prior year gross expenditure.

#### 3. Recommendations

---

- 3.1 The Committee is asked to:
- a) Note the External Audit Plan 2022-23 and the presentation by Grant Thornton.

#### 4. Reason for Recommendations

---

4.1 To accord with the Audit and Accounts Regulations 2015.

## **5. Report Background**

---

5.1 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.

## **6. Content, Responsibilities and Timeline**

---

6.1 Grant Thornton (GT) have been appointed as Independent External Auditors to provide an audit opinion on:

6.1.1 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 2023 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2023; and

6.1.2 the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of West Northamptonshire Council.

6.2 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.

6.3 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.

<b>Risk/area of focus</b>	<b>Audit approach</b>	<b>Fund approach</b>
Valuation of Level 3 investments (annual valuation)	<ul style="list-style-type: none"> <li>• Evaluate management's processes for valuing level 3 investments;</li> <li>• 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;</li> <li>• Independently request year end confirmations from Investment Managers;</li> <li>• Sample testing of investment values; and</li> <li>• Sample testing of purchases and sales.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide working papers demonstrating the value used at the year end and the valuation methodology</li> <li>• Provide quarterly reconciliation reports Liaise with Investment Managers to provide information to auditors on a timely basis</li> </ul>



Risk/area of focus	Audit approach	Fund approach
<p>Management over-ride of controls</p>	<ul style="list-style-type: none"> <li>• Evaluate the design effectiveness of management controls over journals;</li> <li>• Analyse the journals listing and determine the criteria for selective high risk unusual journals;</li> <li>• Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• Gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>• Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure process notes include identified risks</li> <li>• Provide written process notes which detail controls</li> <li>• Make copy journals available</li> <li>• Provide working papers demonstrating the value used for the journals</li> <li>•</li> </ul>
<p>Local Government Pension Scheme triennial valuation</p>	<ul style="list-style-type: none"> <li>• Review the methods used to calculate the estimate, including the models used;</li> <li>• Review the actuarial reports and assess the reasonableness of the assumptions made in the reports;</li> <li>• Perform tests on the accuracy and completeness of the data used in the valuation process, including member data; and</li> <li>• Evaluate the adequacy and accuracy of the disclosures related to the LGPS triennial valuation within the financial statement.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide the valuation report and funding strategy statement stating assumptions and models used at valuation</li> <li>• Provide the member data used for the valuation and corporate auditor’s testing by responding to their queries on a timely manner</li> <li>• Liaise with scheme actuary to provide information to auditors on a timely basis.</li> </ul>



**West  
Northamptonshire  
Council**



- 6.4 Page 11 of the accompanying report sets out the planned materiality levels for the audit. GT has adjusted its approach to materiality on Pension Fund audits since last year to be more risk focused. As such, Investment related materiality is set at 1.5% of the estimated Gross Assets, as opposed to net, to be more reflective of the risks associated with asset valuations. A lower materiality is set in respect of non-investment related transactions, at 10% of prior year gross expenditure, for a more focused approach.

<b>Audit Area</b>	<b>Materiality</b>
Planning Materiality – investment related	£48.1m
Planning Materiality – non-investment related	£12.9m
Audit Differences – Net Assets Statement	£2.4m
Audit Differences – Fund Account	£645k

- 6.5 Page 15 of the accompanying report sets out the proposed timeline for delivery of the audit. The key planned milestones are:

<b>Milestone</b>	<b>Planned dates</b>	<b>Status</b>
Interim Audit	February - March 2023	Completed
Report audit plan	July 2023	Completed
Year end Audit	July - September 2023	In progress
Audit Findings Report	September 2023	Deadline 30 September 2023

- 6.6 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).
- 6.7 The statutory date for publication of the Pension Funds Annual Report is 1st December.

## **7. Implications (including financial implications)**

---

### **7.1 Resources and Financial**

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

### **7.2 Legal**

- 7.2.1 The legal implications are set out in the main body of the report.

### **7.3 Risk**

- 7.3.1 There are no significant risks arising from the proposed recommendations in this report.

- 7.3.2 The Fund's full risk register can be found on the Fund's website at the following link:

<https://pensions.northamptonshire.gov.uk/governance/key-documents/northamptonshire/>

### **7.4 Consultation**

- 7.4.1 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.

7.5 **Consideration by Overview and Scrutiny**

7.5.1 Not required

7.6 **Climate Impact**

7.6.1 There are no climate impact considerations arising as a direct result of this paper.

7.7 **Community Impact**

7.7.1 There are no community impact implications.

7.8 **Communications**

7.8.1 This information only paper does not require any further communication activities.

**8. Background Papers**

---

8.1 Not applicable.

# External audit plan

Year ending 31 March 2023

Northamptonshire Pension Fund

28/02/2023



# Contents



## Your key Grant Thornton team members are:

### Ciaran McLaughlin

Key Audit Partner

T 44 (0)20 7383 5100

E Ciaran.T.McLaughlin@uk.gt.com

### William Howard

Manager

T 44 (0)121 232 5263

William.J.Howard@uk.gt.com

### Ben Stevenson

In Charge Auditor

T 44 (0)121 212 4000

E Ben.Stevenson@uk.gt.com

Section	Page
Key matters	3
Introduction and headlines	5
Significant risks identified	8
Other matters	9
Progress against prior year recommendations	10
Our approach to materiality	11
IT Audit Strategy	14
Audit logistics and team	15
Audit fees	17
Independence and non-audit services	18
Communication of audit matters with those charged with governance	20

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

For the general population, rising inflation, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment.

The pressures on household income have raised concerns that members will look at their pension contributions as a way of cutting back on their monthly costs. The cost-of-living crisis is having a detrimental impact on pension savings, with some even dipping in to their savings to supplement short-term needs and several members are also requesting early access to their pension after age 55 as a means to financially manage their commitments. The cost of living crisis makes it even more important that lowly paid workers have access to a good quality pension.

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

## Other Local issues

There are no local issues report.

---

# Key matters

---



## Our Responses

- 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 further in our Audit Plan, has been agreed with the Executive Director of Finance (Chief Finance Officer).
- We will continue to provide you and your Audit and Governance Committee with sector updates providing our insight on issues from a range of sources and other sector commentators.
- We hold annual financial reporting workshops for our clients to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.

# 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

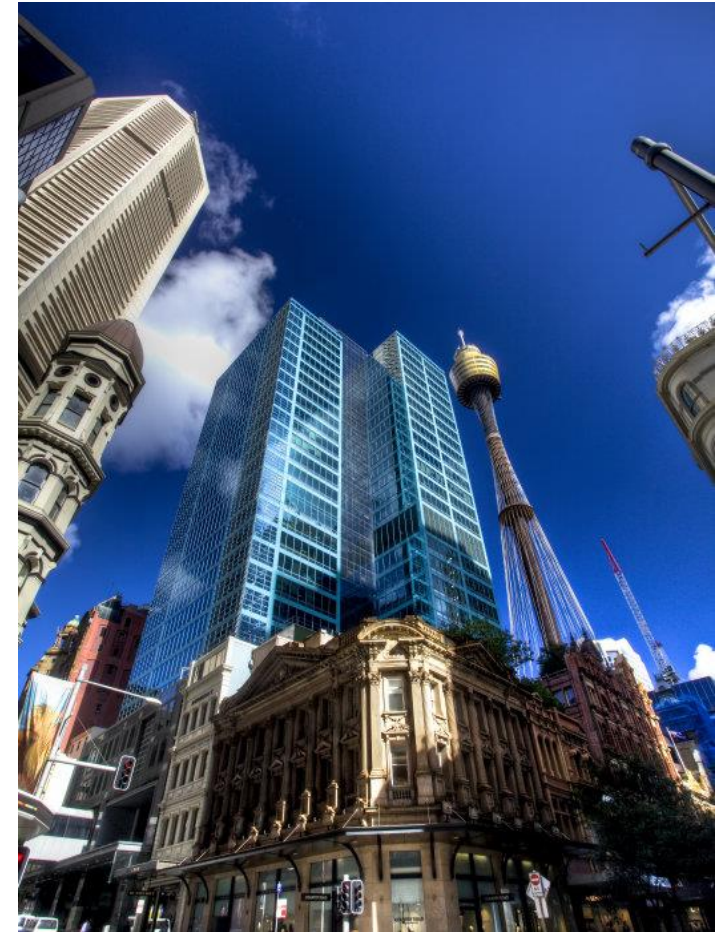
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed terms of Appointment 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 both of 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 with the oversight of those charged with governance (the Audit and Governance committee).

The audit of the financial statements does not relieve management or the Audit and Governance Committee of your 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:

- The valuation of level 3 investments.
- Management override of controls
- The revenue recognition cycle (including those related to expenditure) contain fraudulent transactions (this risk is rebutted in this instance due to controls in place at the Fund).

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 changed our approach to materiality this year as a Firm. We have amended the basis of setting headline materiality from net to gross assets, which allows us to better reflect the risks and focus of the audit.

We have determined planning materiality to be £48.1m (PY £33.6m) for the Pension Fund, which equates to 1.5% of your estimated gross assets at 31<sup>st</sup> of March 2023. 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 £1.6m).

We have set a separate specific materiality for non investment related transactions. We have determined planning Fund Account materiality to be £12.9m for the Pension Fund, which equates to 10% of your prior year gross expenditure. Clearly trivial has been set at £645k.

## Audit logistics

Our interim visit took place in February and March and our final visit will take place in July, August and September. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £55,250 (PY: £51,000k) for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers.

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.

## New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.



# 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	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 3 investments (annual valuation)	Pension Fund	<p>The Fund revalue its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statement date..</p> <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 non-routine 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>Management utilise the services of investment managers as valuation experts to estimate the fair value of these assets.</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</p>	<p>We will :</p> <p>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, with an additional focus on ensuring use of appropriate IPEV [or equivalent] methodology in their valuation books, updated for most recent available guidance. -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. - Complete sample testing of purchases and sales to prime documentation across the period to support our reconciliation of the opening and closing balances..</p>
Management over-ride of controls	Pension Fund	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<p>We will:</p> <p>Evaluate the design effectiveness of management controls over journals;, analyse the journals listing and determine the criteria for selecting 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 evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</p>

# Other risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Local Government Pension Scheme triennial valuation	-Pension Fund	<p>Regulation 62 of the Local Government Pension Scheme (LGPS) requires pension fund administering authorities to obtain an actuarial valuation of the fund's assets and liabilities every three years. Triennial funding valuation reports as at 31 March 2022 were required to be obtained by 31 March 2023.</p> <p>The LGPS is a complex pension scheme with numerous participants, investment portfolios, and various financial and actuarial assumptions. The valuation process involves assessing the fund's assets and liabilities, projecting future cash flows, and making assumptions about investment returns, inflation rates, life expectancies, and other variables.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>review the methods used to calculate the estimate, including the models used</li> <li>review the actuarial reports and assess the reasonableness of the assumptions made in the reports.</li> <li>perform tests on the accuracy and completeness of the data used in the valuation process, including member data. This includes examining source documents and reconciling data to supporting records.</li> <li>evaluate the adequacy and accuracy of the disclosures related to the LGPS triennial valuation within the financial statements.</li> </ul>

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 Report.

'In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them.' [ISA (UK) 315]

# 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 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 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 2021/22 audit of the Pension Fund's financial statements, which resulted in one recommendations being reported in our 2021/22 Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>During the course of the audit, we noted some delays in receipt of declarations of interest from members of the Pensions Committee and others with a governance link to the Fund. It is important to ensure that these returns are received and reviewed promptly to prevent the possible omission of disclosure of a previously unidentified related party which may alter the understanding of readers of the accounts.</p> <p>The Fund should work proactively with partners within the administering authority and other stakeholders to ensure that all returns are received and reviewed promptly.</p>	<p>Management sent request out earlier this year (12th December) to allow plenty of time to keep on top of following up. Looking at the log they are only waiting for one outstanding form from a Cllr.</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.

Matter	Description	Planned audit procedures
1	<p><b>Determination</b></p> <p>We have determined materiality based on a proportion of the estimated gross assets as at 31/03/2023 for the Pension Fund. Materiality at the planning stage of our audit is £48.1m which equates to 1.5% of your estimated gross assets as at 31/03/2023.</p> <p>We have also set a separate level of materiality for non-investment related transactions at £12.9m which is 10% of prior year gross expenditure.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> <li>– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements</li> <li>– assist in establishing the scope of our audit engagement and audit tests</li> <li>– determine sample sizes and</li> <li>– assist in evaluating the effect of known and likely misstatements in the financial statements</li> </ul> <p>The Firm has adjusted its approach to materiality on Pension Fund audits to be more risk focused. As such, Investment related materiality will be set based on Gross Asset values as opposed to net, with the headline materiality being set at 1.5%. This will enable us to set a materiality which is more reflective of the risks associated with asset valuations. However, in conjunction with this we will also set a lower materiality in respect of non-investment related transactions which again will allow us to adopt a more focused approach, principally on the Fund Account. This may bring more transactions into scope, introduce an element of unpredictability to the audit and add more value for stakeholders.</p>
2	<p><b>Other factors</b></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.</p> <ul style="list-style-type: none"> <li>– None identified.</li> </ul>

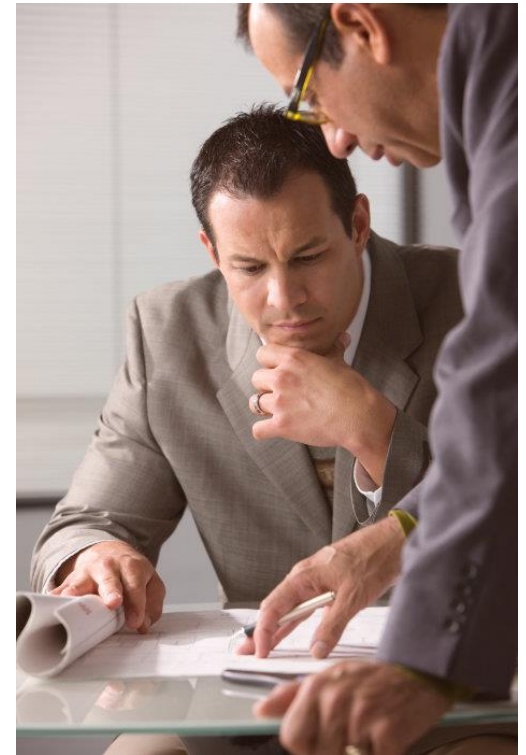
# Our approach to materiality

Matter	Description	Planned audit procedures
3	<p data-bbox="224 494 1030 534"><b>Reassessment of materiality</b></p> <p data-bbox="224 534 1030 622">Our assessment of materiality is kept under review throughout the audit process.</p>	<p data-bbox="1030 494 2121 622">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 data-bbox="224 829 1030 909"><b>Other communications relating to materiality we will report to the Audit Committee</b></p> <p data-bbox="224 909 1030 1460">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 data-bbox="1030 829 2121 909">We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p data-bbox="1030 909 2121 1197">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 for the Net Asset Statement or 645k for the Fund Account. (PY £1.6m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its 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
<b>Materiality:</b>		
	Investments – 48.1m.	<ul style="list-style-type: none"> <li>• Concentration of ownership: the entity is not owned by shareholders, there is no group structure in place (group structures, ownership by shareholders could affect materiality by making it lower)</li> </ul>
	Areas other than investments – 12.9m.	<ul style="list-style-type: none"> <li>• Debt arrangements: the pension fund does not have any debt financing.</li> <li>• Business environment: the operations of the entity are less complex and few core business processes in which the entity is involved. Due to its nature as a public body administering the pensions of public sector workers, the pension fund operates within a stable environment and there has not been significant changes in the nature of its business activities over recent years.</li> <li>• Control environment: no issues have been identified in relation to the control environment.</li> <li>• Other sensitivities: no other sensitivities have been identified that would require materiality to be reduced. There are few users of the financial statements, therefore a higher materiality is deemed appropriate.</li> <li>• We considered the value of balances on the Fund Account and whether the chosen materiality provides sufficient coverage of these balances. Based on review of the prior year accounts the materiality level chosen was deemed sufficient to provide coverage.</li> </ul>



# 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. We say more about ISA 315 Revised on slide 17.

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	Spend/Income	Planned level IT audit assessment
Altair	Benefits	£103,413,000	<ul style="list-style-type: none"> <li>Assurance report obtained from IT expert.</li> </ul>
Agresso ERP	Financial reporting	N/A	<ul style="list-style-type: none"> <li>Detailed ITGC assessment completed by internal expert.</li> </ul>



# Audit logistics and team



## Ben Stevenson, Audit Incharge

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



## Ciaran McLaughlin Key Audit Partner

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



## William Howard, Audit Manager

Plans and manages the delivery of the audit including regular contact with senior officers.

## Audited Entity responsibilities

Where audited entities 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 clients. 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
- 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
- ensure that the agreed data reports are 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
- respond promptly and adequately to audit queries.

# Audit fees and updated Auditing Standards including ISA 315 Revised

In 2021 PSAA awarded a contract of audit for Northamptonshire Pension Fund to begin with effect from 2021/22. The fee agreed in the contract was £51k. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Fund's Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £4k. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf [and has been agreed with the Director of Finance].

# Audit fees

	Actual Fee 2020/21	Actual Fee 2021/22	Proposed fee 2022/23
Northamptonshire Pension Fund Audit	N/A	£51,000	£55,250
Total audit fees (excluding VAT)	N/A	£51,000	£55,250

## Assumptions

In setting the above 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.

## Relevant professional standards

In preparing our fee estimate, 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, 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 May 2020 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.

# Independence and non-audit services

## Other services

The following other services provided by Grant Thornton were identified. The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. 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.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
IAS19 Assurance letters for Admitted Bodies	£6,000 and £1,100 per audit letter.	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £6,000 (and £1,100 per audit letter) in comparison to the total fee for the audit of £55,250 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total	£14,000		

# 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		•
Identification or suspicion of fraud ( deliberate manipulation) involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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.

## Respective responsibilities

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.



© 2023 Grant Thornton UK LLP.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

This page is intentionally left blank





# WEST NORTHAMPTONSHIRE COUNCIL

## AUDIT AND GOVERNANCE COMMITTEE

**Report Title** Internal Audit Annual Assurance Opinion 2022-23

**Report Author** Jen Morris, Head of Audit and Risk Management  
Jen.morris@westnorthants.gov.uk

### Contributors/Checkers/Approvers

<b>West MO</b>	Cath Whitehead	Date here with confirmation that email approval obtained and retained
<b>West S151</b>	Martin Henry	14/07/23

### List of Appendices

Appendix 1 – Annual Assurance Opinion

#### 1. Purpose of Report

---

1.1 The purpose of this report is to receive and consider the Internal Audit Assurance Opinion 2022-23.

#### 2. Executive Summary

---

2.1 The Head of Audit and Risk Management is required to provide an annual assurance opinion on the Council's control environment informed by Internal Audit activity. The opinion contributes to the Council's Annual Governance Statement.

#### 3. Recommendations

---

3.1 It is recommended that the Committee receive and consider the Assurance Opinion.

#### **4. Reason for Recommendations**

---

4.1 The Audit and Governance Committee is responsible for:

- Providing independent assurance as to the Council's governance, risk management framework and associated control environment
- Providing independent scrutiny of the Council's financial and non-financial performance and overseeing the Council's financial reporting process

#### **5. Report Background**

---

5.1 The Audit and Governance Committee approve and monitor the Internal Audit plan for the Council and receive the Annual Assurance opinion.

#### **6. Issues and Choices**

---

6.1 The Head of Audit and Risk Management considers that the audit activity during the year provides sufficient coverage to inform the Annual Assurance opinion.

#### **7. Implications (including financial implications)**

---

##### **7.1 Resources and Financial**

7.1.1 There are no resources or financial implications arising from the proposals.

##### **7.2 Legal implications**

7.2.1 Internal Audit support the Council to meet its obligations under the Accounts and Audit Regulations 2015

##### **7.3 Risk**

7.3.1 There are no risks directly related to the service.

##### **7.4 Consultation**

7.4.1 No consultation is required

##### **7.5 Consideration by Overview and Scrutiny**

7.5.1 No Overview and Scrutiny comments

##### **7.6 Climate Impact**

7.6.1 There are not direct climate or environmental implications

##### **7.7 Community Impact**

7.7.1 There is no community impact

7.8 **Communications**

7.8.1 There are no recommended communications

**8. Background Papers**

---

8.1 Previous Internal Audit reports to Committee.

This page is intentionally left blank

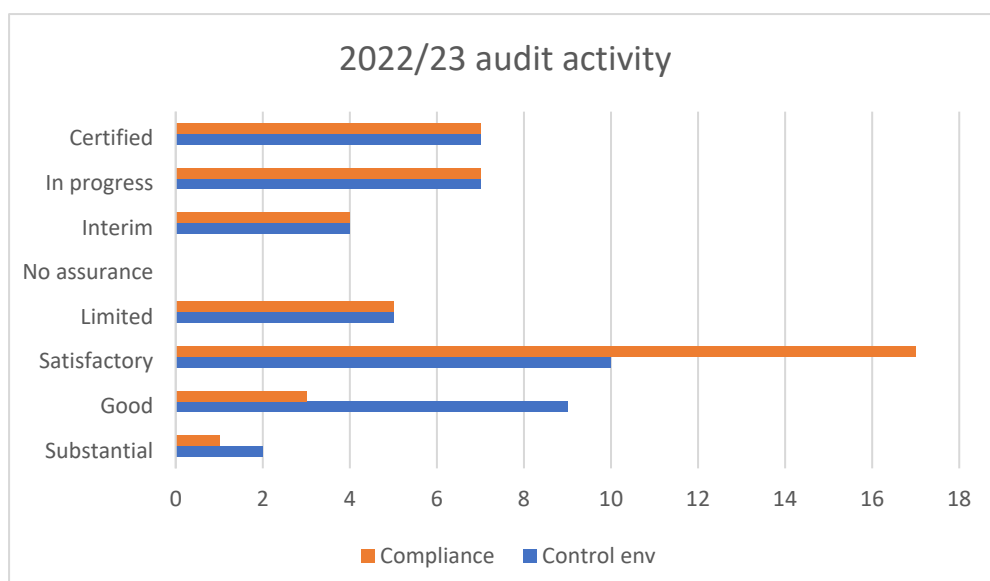
Annual audit assurance opinion 2022-23

1. Executive summary

- 1.1. Internal Audit provides an independent and objective opinion on the effectiveness of the Council’s control and governance processes.
- 1.2. I have considered the balance of audit, internal control, and fraud investigation work in 2022-23 and the assurance levels provided, profile of each assignment and outcomes, together with the response from management, and I can offer **satisfactory assurance** in respect of the areas reviewed during the year, meaning that there are some weaknesses in the control environment.
- 1.3. 2022-23 was the first year that the Internal Audit service was provided in house, and there were some challenges including delays to the completion of work originally planned for 2021-22 and starting the 2022-23 audit plan.

2. Summary of internal audit activity during the period

2.1. The audit plan for 2022-23 was developed by the outgoing shared audit service and the work undertaken included work outstanding from 2021-22, supporting the delivery of the Council’s objectives. The team was supported by BDO in delivering the plan. 44 engagements have been undertaken, covering assurance, advisory and grant certification work, and ad-hoc operational requests, alongside anti-fraud and corruption activity. A summary of the audit opinions is given below, with detail provided in Appendix 1.



2.2. At the conclusion of audit assurance activity each review is given a control environment assurance rating and a compliance rating, demonstrating evaluation of the system design against an expected control environment and levels of compliance against the designed control system, and assessed with the following ratings.

2.2.1. Control environment / System design assurance definitions:

Substantial	There are minimal control weaknesses that present very low risk to the control environment.
-------------	---

## Annual audit assurance opinion 2022-23

Good	There are minor control weaknesses that present low risk to the control environment.
Satisfactory	There are some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

## 2.2.2. Compliance definitions:

Substantial	The control environment has substantially operated as intended with no notable errors detected.
Good	The control environment has largely operated as intended although some errors have been detected.
Satisfactory	The control environment has mainly operated as intended although errors have been detected.
Limited	The control environment has not operated as intended. Significant errors have been detected.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.

## 2.3. Our 2023-23 audit activity has identified key themes which need strengthening:

2.3.1. Policies and procedures – several areas either had no clear policies and procedures, the ones in place were out of date or still related to historic council arrangements and so were not aligned. In most cases policies and procedures were being developed, but these will take time to embed, and for working practices to be updated.

2.3.2. Roles and responsibilities – there was a lack of clarity around roles and responsibilities, often reflecting either the absence of clear procedures or a failure to align working practices across inherited teams.

2.3.3. Alignment of services – a key area which has contributed to the previous themes is the remaining unaligned services, including systems and working practices. It is recognised that there is considerable work underway to address this, but it has been a clear contributory factor in a number of the assurance areas.

2.4. Part of the ongoing work for the year is to ensure that management actions agreed during the audit are followed up and completed. For all limited assurance audits, we have introduced a proactive follow up process where we meet with operational managers on a regular basis to ensure the control environment is being strengthened in line with the issues identified during the audit, and to reflect any required changes. Good progress has been made, although the team focus has been on delivering the audit plan. Details are provided in Appendix 2, with a summary in the table overleaf.

## Annual audit assurance opinion 2022-23

Classification		Essential	Important	Standard
Not yet due (this would include recommendations where an extension has been agreed)	28	7	17	4
Completed	91	19	60	12
Transferred to follow up audit (all limited assurance audits to have a follow up planned, usually within 12 months)	5	2	3	0
Overdue – no management response received	64	7	51	6
<b>Total</b>	<b>188</b>	<b>35</b>	<b>131</b>	<b>22</b>

### 3. Anti-fraud and corruption activity

3.1. We continue to support the Council with anti-fraud and corruption activity, with a mix of fraud prevention work, national engagement through the Cabinet Office National Fraud Initiative, and reactive investigations. Appendix 3 details activity undertaken, including a breakdown of outcomes.

#### Appendices

Appendix 1: 2022-23 audit tracker

Appendix 2: Follow up activity tracker

Appendix 3: Fraud end of year report

This page is intentionally left blank



Audit	Date of issue	Adequacy of system	Compliance	Essential actions	Important actions	Standard actions	Summary
<b>2021/22 Assurance report</b>							
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Taxi licensing	22/12/22	Limited	Satisfactory	2	6	5	<p>System design:</p> <ul style="list-style-type: none"> <li>• Legacy council split remains across the team, including variations to policies and procedures</li> <li>• Policies and procedures have omissions and have not been updated</li> <li>• New policy has been developed but not implemented</li> <li>• Absence of operational plan to align services</li> </ul> <p>Compliance:</p> <ul style="list-style-type: none"> <li>• Failure to retain evidence to support licence checks</li> <li>• Awareness of complaints / enforcement processes could be improved</li> </ul>
<b>2022/23 Assurance report</b>							
Information governance	04/08/22	Satisfactory	Satisfactory	1	7	0	<p>System design:</p> <ul style="list-style-type: none"> <li>• Appropriate procedural guidance to support administration of IG; overarching Records Management Strategy required</li> <li>• Roles and responsibilities defined</li> <li>• Mandatory awareness training</li> </ul> <p>Compliance:</p> <ul style="list-style-type: none"> <li>• Meaningful management reports not available from system</li> <li>• Lack of effectiveness of Information Management Board</li> <li>• Breaches are recorded, although records are incomplete</li> </ul>

Audit	Date of issue	Adequacy of system	Compliance	Essential actions	Important actions	Standard actions	Summary
							<ul style="list-style-type: none"> <li>Register of service data in place, but is incomplete</li> </ul>
Council tax	01/12/22	Satisfactory	Satisfactory	1	8	0	<p>System design:</p> <ul style="list-style-type: none"> <li>Lack of overarching policy and procedures; legacy council procedures in place</li> <li>Legacy systems used</li> </ul> <p>Compliance:</p> <ul style="list-style-type: none"> <li>No formal reconciliations of schedules to property records</li> <li>No reviews of discounts and exemptions awarded</li> <li>Non-payers and missed payments not followed up promptly</li> <li>Indefinite suspension of accounts without supporting evidence</li> <li>Suspense account not cleared on timely basis</li> <li>Control account reconciliations not reviewed</li> <li>No evidence of access controls reviews</li> </ul>
Business Rates (NNDR)	19/04/23	Satisfactory	Satisfactory	0	7	1	<p>System design:</p> <ul style="list-style-type: none"> <li>Lack of overarching policy and procedures; legacy council procedures in place</li> </ul> <p>Compliance:</p> <ul style="list-style-type: none"> <li>Reconciliation process not formalised</li> <li>Reviews and reconciliations not documented</li> <li>Debt recovery delays</li> </ul>
Schools: governance and finance procedures	18/08/22	Good	Satisfactory	-	-	-	<p>System design:</p> <ul style="list-style-type: none"> <li>Governance measures in place for finance procedures and controls in schools</li> </ul> <p>Compliance:</p> <ul style="list-style-type: none"> <li>Issues found with individual schools including failure to audit private funds, out of date or missing policies and failure to publish required information</li> </ul>
Home to school transport	26/08/22	Satisfactory	Limited	4	3	4	<p>System design:</p> <ul style="list-style-type: none"> <li>Clear documentations and allocated roles and responsibilities</li> <li>No escalation / complaints process</li> <li>Limited cooperation between Home to School Transport and Taxi Licensing Service teams</li> </ul> <p>Compliance:</p>

Audit	Date of issue	Adequacy of system	Compliance	Essential actions	Important actions	Standard actions	Summary
							<ul style="list-style-type: none"> <li>Provider annual audits not completed in timely manner</li> <li>Failure of operators to provide management information</li> <li>Failure to hold operator meetings</li> <li>Inconsistencies with spot checks and complaints forms</li> </ul>
Northamptonshire Pension Fund	06/07/22	Substantial	Satisfactory	0	7	0	System design: <ul style="list-style-type: none"> <li>Adequate controls in place to achieve key control objectives</li> </ul> Compliance: <ul style="list-style-type: none"> <li>Generally good levels of compliance with some non-compliance</li> </ul>
Payroll transactional testing	14/10/22	Good	Good	0	1	3	System design: <ul style="list-style-type: none"> <li>Mature set of procedures and controls in place</li> </ul> Compliance: <ul style="list-style-type: none"> <li>Experienced staff</li> <li>Low level inadequate completion of checks and reviews</li> </ul>
Housing benefit and council tax reduction	26/08/22	Satisfactory	Satisfactory	1	3	0	System design: <ul style="list-style-type: none"> <li>Procedures align with DWP requirements, however not aligned across WNC</li> <li>Absence of documented roles and responsibilities in relation to fraud detection and referrals</li> </ul> Compliance: <ul style="list-style-type: none"> <li>Delays processing overpayment write-offs</li> <li>Delays in delivering training to officers</li> </ul>
Transformation from safe and legal to BAU	11/07/22	Satisfactory	Satisfactory	0	3	1	System design: <ul style="list-style-type: none"> <li>Sound governance structure</li> <li>Absence of detailed progress review and reporting</li> </ul> Compliance: <ul style="list-style-type: none"> <li>Lack of detail at Joint Officer Board</li> <li>Low attendance at Transformation Board</li> </ul>
Corporate procurement (adherence to contract procedure rules)	22/12/22	Good	Satisfactory	6	2	3	System design: <ul style="list-style-type: none"> <li>Comprehensive procedures and practice guides in place</li> </ul> Compliance: <ul style="list-style-type: none"> <li>Process not followed consistently</li> <li>Documentation not retained</li> </ul>

Audit	Date of issue	Adequacy of system	Compliance	Essential actions	Important actions	Standard actions	Summary
Finance management – MTFP	05/07/22	Substantial	Substantial	0	0	1	System design: <ul style="list-style-type: none"> <li>• Robust process in place</li> </ul> Compliance: <ul style="list-style-type: none"> <li>• Appropriate framework and timetables to ensure engagement with budget setting</li> </ul>
Emergency planning	07/10/22	Good	Good	0	2	0	System design: <ul style="list-style-type: none"> <li>• Identified core activities and how will be managed following disaggregation</li> <li>• Resources identified and implemented</li> <li>• Emergency plans communicated</li> </ul> Compliance: <ul style="list-style-type: none"> <li>• Temporary measures in place</li> <li>• Action plan and service plan in place</li> </ul>
Contract management – parking	24/10/22	Satisfactory	Limited	0	4	0	System design: <ul style="list-style-type: none"> <li>• Overall clarity of roles, responsibilities, and contractual obligations within contract. Responsibilities specified and monitoring channels in place</li> <li>• QKPIs and penalties developed</li> </ul> Compliance: <ul style="list-style-type: none"> <li>• Strong approach to managing and monitoring budgets</li> <li>• NSL have not met contractual obligations; meetings and performance reports have ceased</li> <li>• Dispute over understatement of utilisation figures</li> </ul>
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Audit	Date of issue	Adequacy of system	Compliance	Essential actions	Important actions	Standard actions	Summary
							[REDACTED]
Leisure services – establishment management	06/09/22	Satisfactory	Satisfactory	0	2	0	<p>System design:</p> <ul style="list-style-type: none"> <li>• Adequate performance monitoring arrangements</li> <li>• Lack of unified approach to performance monitoring across contracts</li> <li>• Outdated performance arrangements</li> </ul> <p>Compliance:</p> <ul style="list-style-type: none"> <li>• Council works closely with contractors with performance issues addressed</li> <li>• Variance in monitoring arrangements and management of contractors in advance of contract renewals and retendering</li> </ul>
Adults – independent care payments	31/01/23	Good	Satisfactory	1	3	0	<p>System design:</p> <ul style="list-style-type: none"> <li>• Procedural guidance in place</li> <li>• Care costs are approved and paid in line with agreed procedures</li> <li>• System information confirms assessments undertaken</li> <li>• System for managing changes to care packages from service providers</li> </ul> <p>Compliance:</p> <ul style="list-style-type: none"> <li>• No periodical reconciliations between 3 IT systems</li> <li>• Delays in processing financial assessments</li> <li>• Evidence of independent checks not retained</li> </ul>
Safeguarding vulnerable adults	17/04/23	Satisfactory	Satisfactory	1	6	1	<p>System design:</p> <ul style="list-style-type: none"> <li>• Policies and procedures are being updated</li> <li>• Potential for delays in development and introduction of Quality Assurance Framework</li> <li>• Job descriptions and team structure of Safeguarding Vulnerable Adults Team need updating</li> </ul> <p>Compliance:</p> <ul style="list-style-type: none"> <li>• Overall good levels of compliance with expected control procedures</li> </ul>

Audit	Date of issue	Adequacy of system	Compliance	Essential actions	Important actions	Standard actions	Summary
							<ul style="list-style-type: none"> <li>Issues relating to performance indicators, staff training records and recommendation tracking</li> </ul>
Highways – s38 road adoptions	07/07/23	Satisfactory	Satisfactory	1	5	0	<p>System design:</p> <ul style="list-style-type: none"> <li>Processing procedures largely reflective of Section 38 1980 Highways Act</li> <li>Improvements can be made in updating guidance and procedural checklist</li> <li>Introduction of procedures for monitoring outstanding applications required</li> </ul> <p>Compliance:</p> <ul style="list-style-type: none"> <li>Inherited road adoption applications from NCC remain outstanding</li> <li>Improvement in compliance with expected control procedures required</li> </ul>
Section 106 income collection & monitoring	Feb 23	Interim report		-	-	-	<p>Interim position report provided to service. Follow up in 2023-24</p> <p>Issues identified:</p> <ul style="list-style-type: none"> <li>No harmonised system for administration of agreements</li> <li>Different practices and systems to capture agreements</li> <li>Different policies and procedures in place</li> <li>Absence of a robust reconciliation process</li> <li>No consistent reporting process</li> </ul>
Community infrastructure levy	Feb 23	Interim report		-	-	-	<p>Interim position report provided to service. Follow up in 2023-24</p> <p>Issues identified:</p> <ul style="list-style-type: none"> <li>Robust CIL income reconciliation process not in place across the board</li> <li>Effective independent review process not in place</li> <li>Non-compliance with Financial procedure Rules</li> <li>Combined Infrastructure Funding Statement not published</li> </ul>
Corporate health & safety		Limited	Limited				
Treasury management 11/22 follow up				-	-	-	Review complete. Actions ongoing so further follow up required

2022/23 Internal audit monitoring

Audit	Date of issue	Adequacy of system	Compliance	Essential actions	Important actions	Standard actions	Summary
Performance management		Good	Satisfactory				
Payroll follow up – control accounts							
ERP Gold IT user access controls							
Lease car arrangements							
Corporate complaints management							
Adults – commissioning framework							
Payroll							
Retrospective orders							
<b>WNC partner audit</b>							
Pension fund administration							
<b>Shared service audits – Cambridgeshire County Council</b>							
Accounts payable: combined shared service	17/05/23	Good	Good				
Debt recovery: WNC	Draft report	Good	Moderate				
Income processing: combined shared service	16/05/23	Good	Moderate				
<b>Grant certification</b>							
LA Covid 19 Test and trace Contain Outbreak Management Fund 2021-22							Certified
LA Test and trace Support payment scheme fund 2020-21 and 2021-22							Certified. Management advisory actions raised
Local transport capital block funding							Certified. Management advisory actions raised

2022/23 Internal audit monitoring

Audit	Date of issue	Adequacy of system	Compliance	Essential actions	Important actions	Standard actions	Summary
Disabled facilities grant 2021-22							Certified. Management advisory actions raised
Bus recovery grant 2021-22							Reviewed, certification not required
Green home grant local authority delivery Phase 2							Certified
Adult weight management services 2021-22							Certified
LA bus subsidy (revenue) grant 2021-22							In progress



WNC recommendations

Audit	No. Essential	No. complete	No. outstanding	No. Important	No. complete	No. outstanding	No. Standard	No. complete	No. outstanding
<b>Pre-2022-23 audits</b>									
Key Governance Documents, Policies & Records	0	0	0	15	10	5	0	0	0
WNC Payroll	1	0	1	2	1	1	0	0	0
General Ledger	0	0	0	4	1	3	0	0	0
Legacy Bank Accounts	0	0	0	6	4	2	0	0	0
Bank Reconciliations	0	0	0	2	1	1	1	1	0
Treasury Management	4	3	1	3	1	2	1	1	0
Financial Management - Monitoring	0	0	0	1	1	0	0	0	0
	█	█	█	█	█	█	█	█	█
Risk Management	0	0	0	3	0	3	0	0	0
Cambridgeshire Pension Fund	1	1	0	6	4	2	0	0	0
<b>2022-23 audits</b>									
	█	█	█	█	█	█	█	█	█
Taxi Licensing	2	0	2	6	1	5	5	1	4
Information Governance	1	0	1	7	5	2	0	0	0
Council Tax	1	0	1	8	0	8	0	0	0
Business Rates	0	0	0	7	1	6	1	0	1
Home to School Transport	5	4	1	3	3	0	4	4	0
Northants Pension Fund	0	0	0	7	5	2	0	0	0
Payroll Transactional Testing	0	0	0	1	0	1	3	0	3
Housing & Council Tax Benefits	1	0	1	3	0	3	0	0	0
From Safe & Legal to BAU	0	0	0	3	3	0	1	0	1
Procurement	2	2	0	5	4	1	2	1	1
MTFP	0	0	0	0	0	0	1	1	0
Emergency Planning	0	0	0	2	2	0	0	0	0
Parking Contract Management	0	0	0	2	2	0	0	0	0
	█	█	█	█	█	█	█	█	█
Leisure Services Establishment	0	0	0	2	0	2	0	0	0
Independent Care Payments	0	0	0	3	1	2	0	0	0
Safeguarding Vulnerable Adults	1	0	1	6	0	6	1	1	0
<b>Grant certifications</b>									
The Local Transport Capital Block Funding Grant 2021/22	0	0	0	3	0	3	0	0	0
Disabled Facilities Grant (DFG) - Audit Verification	2	0	2	3	2	1	0	0	0
<b>TOTAL</b>	<b>35</b>	<b>19</b>	<b>16</b>	<b>128</b>	<b>57</b>	<b>71</b>	<b>22</b>	<b>12</b>	<b>10</b>

Total number of recommendations 188  
 Total outstanding 97  
 % outstanding 52%

Classification	Essential	Important	Standard				
Not yet due (this would include recommendations where an extension has been agreed)	28	7	17	4			
Completed	91	19	60	12			
Transferred to follow up audit (all limited assurance audits to have a follow up planned, usually within 12 months)	5	2	3	0			
Overdue - management response received but not verified	0	0	0	0			
Overdue - no management response received	64	7	51	6			
<b>Total</b>	<b>188</b>	<b>35</b>	<b>131</b>	<b>22</b>			

% Not due 15%  
 % Completed 48%  
 % Transferred 3%  
 % Overdue 34%

This page is intentionally left blank

## **Fraud End of Year Report April 2022 - March 2023**

Appendix A, statistics; outcomes closed investigations 2022/23

Sara Essex, Counter Fraud Manager

### **1. Antifraud culture - the wider picture**

Fraud will always be a risk, and the risk is greater if it is not recognised by the services, or if there is no accountability or responsibility taken by managers. Staff are our most valuable resource and the first defence against fraud.

### **2. Fraud Prevention**

The fraud prevention ilearn training module (updated May 2022) gives an overview of fraud types and what to look out for on a wider generic level, is the easiest countermeasure to understand fraud risk.

WNC Fraud Prevention course will:

- Assist in highlighting the importance of reporting fraud
- Help you identify some key indicators of possible fraud
- Identify some steps you can take to prevent the likelihood of fraud
- Give examples of potential fraud which could happen in your work area

We will also provide service specific awareness sessions, fraud awareness campaigns or information for events to promote awareness of fraud risk or good practice.

### **3. Fraud reporting**

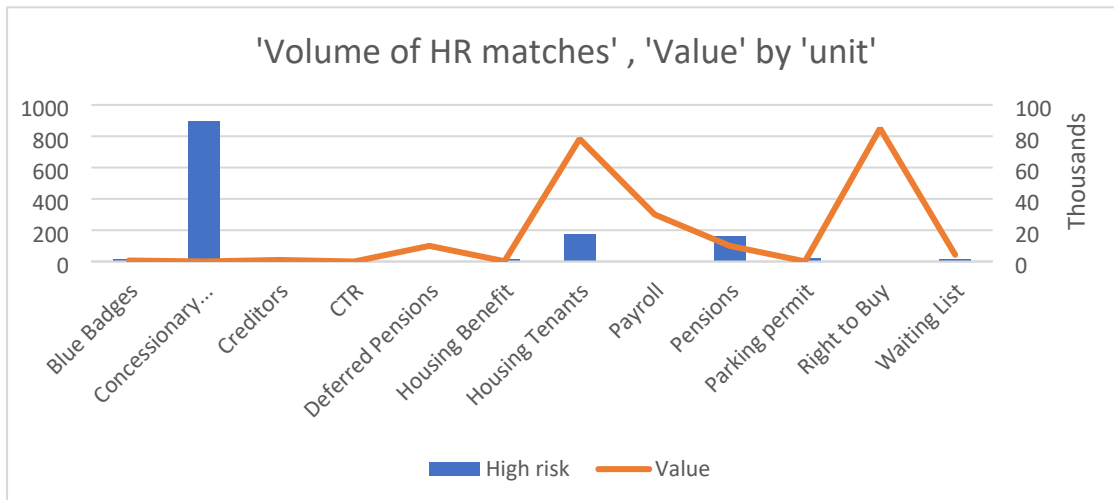
We have updated our reporting tool interface to enable reports to be sent to our managed mailbox from the Council website. [Reporting suspected fraud](#)

Staff are our first line of defence to identify and prevent fraud and more than half of our referrals come from staff.

### **4. Cabinet Office National Fraud Initiative**

The 2022/23 National exercise matches were received on 27/01/23 and are being prioritised and worked on according to risk rating and values.

The chart shows the service area matched as well as the volume of matches received that are considered high risk in blue across the chart. Overlaid in orange is the estimated unit value which is considered for the priority review. For example, the highest number of matches or volume is concessionary travel passes and their unit value is far lower than a Housing Tenancy.



##### **5. NFI Pilot (Cabinet Office)– Housing Tenancy Fraud**

WNC were selected to be part of a pilot, testing the use of data matching innovation with Credit reference data and SIRA data (SIRA data includes sources such as insurance data) to expose tenancy fraud. We did not identify any cases of tenancy fraud from this first phase and have submitted feedback examples outlining areas where the data could be filtered to fine tune the matching for the second phase.

Our primary objective for Housing investigations is to recover properties that are being misused / sublet. These properties can then be relet to families in genuine need / on the waiting list or in bed & breakfast temporary accommodation (high-cost burden)

##### **NFI Fraud Hub – purpose to identify fraud or error & preventing debt**

Northamptonshire Pensions data was uploaded to the hub 10/06/22. The purpose of the exercise is to identify pension members matched with the Digital Death Register Information (DDRI) to prevent overpayments and the opportunity for fraud and error.

The hub data continues to be matched every fortnight with DDRI (death register) for new notifications. The objective is to notify the service and suspend / cancel payments where death confirmed to prevent overpayments which are difficult and costly to recover.

Between June and May there have been 79 pension notifications by the hub whereby the pensions service had not been made aware of the death prior to the data match. The Cabinet Office uses a formula to estimate the value of the prompt notification as an estimated saving of £1,967,402.74 overall, with £18,162.58 in actual overpayments being recovered because of the data matching.

**Appendix A Statistics: outcomes closed investigations 2022/23**

Reactive Investigation work – referred by the public or members of staff to Counter Fraud.

**Table 2, Housing Investigations – 138 cases closed between April and March.**

Case type	Cases closed	Advice given or no further action	YTD outcomes
Housing Tenancy referrals that have been Investigated and closed	83	62	<ul style="list-style-type: none"> <li>• 16 Properties have been recovered to be relet to families in genuine need.</li> <li>• 3 Temporary accommodation properties were recovered not being used for purpose intended.</li> <li>• 1 was a Right to Buy sale due to be completed however no longer being lived in by the tenant, preventing discount £67,080</li> <li>• 2 debts were identified during other RTB investigations which have been recovered.</li> <li>• HB £2,504.68</li> <li>• HB £3,072.63 CTRS £557.08</li> </ul>
Housing & Homeless Applications investigated and closed	55	34	<ul style="list-style-type: none"> <li>• 21 Housing or Homeless applications have been cancelled or downgraded</li> </ul>
<b>Total</b>	<b>138</b>	<b>96</b>	

- 16 properties have been recovered in total, (plus a further three temporary accommodation lets), which will be re let to those in genuine need from the waiting list. Each recovered property has a Cabinet Office estimated value saving of £93,000 x 16 recovered properties = £1,488,000, Cabinet Office estimated value saving
- 21 housing applications cancelled (£3,240 x 21) = £68,040, Cabinet Office estimated value saving.

**Table 3, Other service investigations – cases closed between April and March**

Case type / service	Cases Closed	Summary
Revs & Bens	53	28 outcomes have been recorded summarised below. <ul style="list-style-type: none"> <li>• 15 recoverable overpayments of HB, CTR or both amounting to £55,283.74</li> <li>• 14 HB awards cancelled or adjusted</li> </ul>

		<ul style="list-style-type: none"> <li>• 9 CTR only awards cancelled or adjusted</li> <li>• 3 HB only wards cancelled or adjusted</li> <li>• 1 SPD cancelled raising a recoverable debt £1,335.88</li> </ul> <p>(18 were recorded as no further action / advice given or referred to DWP)</p>
Blue badge / Parking	5	5 referred to the parking team and or DWP
HR / staff matters	7	All matters are investigated in conjunction with HR colleagues. One case outcome was resignation and one referred to Democratic services whilst the others were no case to answer or no further action taken.
Finance	5	2 (one refund issue closed unable to pursue the refund recipient to recover the debt / advice given) 1 (theft by unknown person, report issued)
Grants	2	<ul style="list-style-type: none"> <li>• no further action to be taken – not fraud</li> <li>• Statement and exhibits collated to assist NATIS investigation</li> </ul>
Children's Trust	15	All cases are referred to counter fraud by the No Recourse team to assist with their assessments for financial support. Credit checks and bank statements are reviewed for income and expenditure screening.
<b>Total</b>	<b>89</b>	

No significant outcomes relevant staff / managers / public / external partner advised.

### **Summary overview**

These statistics demonstrate our investigation activity in delivering effective outcomes, highlighting the value of fraud and error being disrupted and recovered. Counter fraud resource is targeted to drive future outcomes by way of improvements and understanding of fraud risk to support the preventative approach to saving money at the outset, but also to address concerns and react to incidents efficiently.



# WEST NORTHAMPTONSHIRE COUNCIL

## AUDIT AND GOVERNANCE COMMITTEE

Report Title	Internal Audit update to June 2023
Report Author	Jen Morris, Head of Audit and Risk Management Jen.morris@westnorthants.gov.uk

### Contributors/Checkers/Approvers

West MO	Cath Whitehead	
West S151	Martin Henry	14/07/23

### List of Appendices

Appendix 1 – Internal Audit progress report 2023-24

#### 1. Purpose of Report

- 1.1 The purpose of this report is to provide an update on work delivered by the Internal Audit team up to 30 June 2023.

#### 2. Executive Summary

- 2.1 The Internal Audit service provides assurance that organisational controls are effective and adequately mitigating risk. We also provide counter fraud services, supporting the Council in preventing and investigating fraudulent activity.

#### 3. Recommendations

- 3.1 It is recommended that the Committee review and endorse the position.

#### 4. Reason for Recommendations

- 4.1 The Audit and Governance Committee is responsible for:

- Providing independent assurance as to the Council’s governance, risk management framework and associated control environment
- Providing independent scrutiny of the Council’s financial and non-financial performance and oversee the Council’s financial reporting process

## 5. Report Background

---

5.1 We provide the Audit and Governance Committee with regular updates.

## 6. Issues and Choices

---

### Internal audit and grant certification

6.1 A detailed progress report for audit activity and grant certifications is attached at Appendix 1 and summarised below.

<b>Audit stage</b>	
Not started	22
Planning stage	3
Fieldwork in progress	1
Draft report	
Completed	
<b>Total</b>	<b>26</b>

### Audit plan changes

6.2 The 2023-24 internal audit plan was approved at the 14 June 2023 Audit and Governance Committee and any changes to the plan will be reported and considered as part of our quarterly updates.

6.2.1 Added audit: Corporate Health and Safety limited assurance follow up. As part of our standard process, we will meet with operational managers regularly and determine the most appropriate follow up.

6.2.2 Removed audit: DTI Telephony procurement review. We received a request for an audit review of the DTI telephony procurement, however a review has been undertaken by the procurement team. We will engage with the lessons learned from this process to inform procurement audit activity.

### Limited assurance audits

6.3 We proactively monitor all limited assurance audits, and we meet with operational managers to ensure that progress is being made to mitigate the control issues raised in the audit, and to ensure that the actions remain applicable and are being actioned. This approach enables us to determine the most appropriate follow up mechanism.

6.4 Updates are provided below for limited assurance audits with open management actions.



6.4.1

[REDACTED]

[REDACTED]

6.4.2

[REDACTED]

[REDACTED]

#### 6.4.3 Home to School

An audit meeting took place with the Home to School team on the 27 June to obtain outstanding evidence and perform a walkthrough of manual processes to allow the audit to be closed. All recommendations are satisfied, and a further audit is scheduled during 2024-2025 following the implementation of a new system in April 2024.

#### 6.4.4 Taxi Licensing

Of 13 audit actions, 2 were marked as 'Essential' and the due date is marked as September 2023. A meeting was held on the 4 July to obtain a service update and agree with the service manager to work with the team to gather evidence relating to manual checks with a view to closing the audit in September when the policy revision has been approved.

### 7. Implications (including financial implications)

---

#### 7.1 Resources and Financial

7.1.1 There are no resources or financial implications arising from the proposals.

#### 7.2 Legal implications

7.2.1 Internal Audit support the Council to meet its obligations under the Accounts and Audit Regulations 2015

#### 7.3 Risk

7.3.1 There are no risks directly related to the service.

#### 7.4 Consultation

7.4.1 No consultation is required

**7.5 Consideration by Overview and Scrutiny**

7.5.1 No Overview and Scrutiny comments

**7.6 Climate Impact**

7.6.1 There are not direct climate or environmental implications

**7.7 Community Impact**

7.7.1 There is no community impact

**7.8 Communications**

7.8.1 There are no recommended communications

**8. Background Papers**

---

8.1 Previous Internal Audit reports to Committee.

Assurance Block / Audit Area	Plan status	Audit stage	Date of issue	System design	Compliance	Management actions			Summary
						Essential	Important	Standard	
<b>Governance</b>									
Partnerships: IAA - contract management	Planned	Not started							
Partnerships: IAA - disaggregation	Planned	Not started							
Annual governance statement / governance process	Planned	Not started							
<b>Green and clean</b>									
Net zero strategy	Planned	Not started							
Wider strategy sustainability review	Planned	Not started							
		Not started							
<b>Improved life chances</b>		Not started							
Local area partnerships	Planned	Not started							
Contract management: leisure services	Planned	Not started							
Homelessness prevention	Planned	Not started							
Temporary accommodation	Planned	Planning							
Althorp Partnership - Harlestone and Brington Schools	Planned	Not started							
<b>Connected communities</b>									
Taxi licensing - Ltd assurance follow up	Planned	Not started							
Home to school transport - Ltd assurance follow up	Planned	Not started							
Contract management: parking - Ltd assurance follow up	Planned	Not started							
Rural bus services	Planned	Not started							

Assurance Block / Audit Area	Plan status	Audit stage	Date of issue	System design	Compliance	Management actions			Summary
						Essential	Important	Standard	
<b>Robust resource management</b>									
Medium term financial plan	Planned	Not started							
Transformation delivery	Planned	Not started							
Temporary staff: non-Opus / long placements	Planned	Planning							
Core financial systems	Planned	Not started							
Income management system	Planned	Not started							
Property management	Planned	Not started							
Corporate health & safety - Ltd assurance follow up	Added	Not started							
<b>Grant Certification</b>									
COMF 2022-23	Planned	Fieldwork							
Disabled Facilities Grant 2022-23	Planned	Planning							
<b>Removed audits</b>									
DTI Telephony procurement - review	Removed								Operational request withdrawn



# WEST NORTHAMPTONSHIRE COUNCIL

## AUDIT AND GOVERNANCE COMMITTEE

---

**Report Title** Annual Governance Statement 2022-23

**Report Author** Jen Morris, Head of Audit and Risk Management  
Jen.morris@westnorthants.gov.uk

### Contributors/Checkers/Approvers

<b>West MO</b>	Cath Whitehead	Date here with confirmation that email approval obtained and retained
<b>West S151</b>	Martin Henry	18/07/2023

### List of Appendices

Appendix 1 – Annual Governance Statement 2022-23

#### **1. Purpose of Report**

---

- 1.1 The purpose of this report is to provide an update on the Annual Governance Statement 2022-23

#### **2. Executive Summary**

---

- 2.1 The Annual Governance Statement (AGS) is a review of our activities to ensure the Council is carrying out its functions effectively and is produced in line with the governance framework detailed in the CIPFA Delivering Good Governance Framework. The Council's Code of Corporate Governance details the policies, procedures, behaviours, and values by which the Council is controlled and governed.

#### **3. Recommendations**

---

- 3.1 It is recommended that the Committee endorse the draft Annual Governance Statement.

#### **4. Reason for Recommendations**

---

- 4.1 The Audit and Governance Committee is responsible for:
- Providing independent assurance as to the Council’s governance, risk management framework and associated control environment
  - Providing independent scrutiny of the Council’s financial and non-financial performance and oversee the Council’s financial reporting process

## **5. Report Background**

---

- 5.1 The AGS has been produced by the Internal Audit and Governance services and is reviewed and signed by the Leader and Chief Executive of the Council. It forms part of the statutory accounts, which are reviewed by the Council’s external auditors.

## **6. Issues and Choices**

---

- 6.1 The governance of the Council is set out in the Code of Corporate Governance which covers the following principles:
- 6.1.1 Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
  - 6.1.2 Ensuring openness and comprehensive stakeholder engagement
  - 6.1.3 Defining outcomes in terms of sustainable economic, social, and environmental benefits
  - 6.1.4 Determining the intervention necessary to optimise the achievement of the intended outcomes
  - 6.1.5 Developing the entity’s capacity, including the capability of its leadership and the individuals within it
  - 6.1.6 Managing tasks and performance through robust internal controls and strong public financial management
  - 6.1.7 Implementing good practices in transparency, reporting and audit, to deliver effective accountability
- 6.2 Issues and areas for improvement have been identified as part of the governance review and have actions plans and related owners and will be monitored.

## **7. Implications (including financial implications)**

---

### **7.1 Resources and Financial**

- 7.1.1 There are no resources or financial implications arising from the proposals.

### **7.2 Legal implications**

7.2.1 Internal Audit support the Council to meet its obligations under the Accounts and Audit Regulations 2015

7.3 **Risk**

7.3.1 There are no risks directly related to the service.

7.4 **Consultation**

7.4.1 No consultation is required

7.5 **Consideration by Overview and Scrutiny**

7.5.1 No Overview and Scrutiny comments

7.6 **Climate Impact**

7.6.1 There are not direct climate or environmental implications

7.7 **Community Impact**

7.7.1 There is no community impact

7.8 **Communications**

7.8.1 There are no recommended communications

**8. Background Papers**

---

8.1 Previous Annual Governance Statement reports to Committee.

This page is intentionally left blank



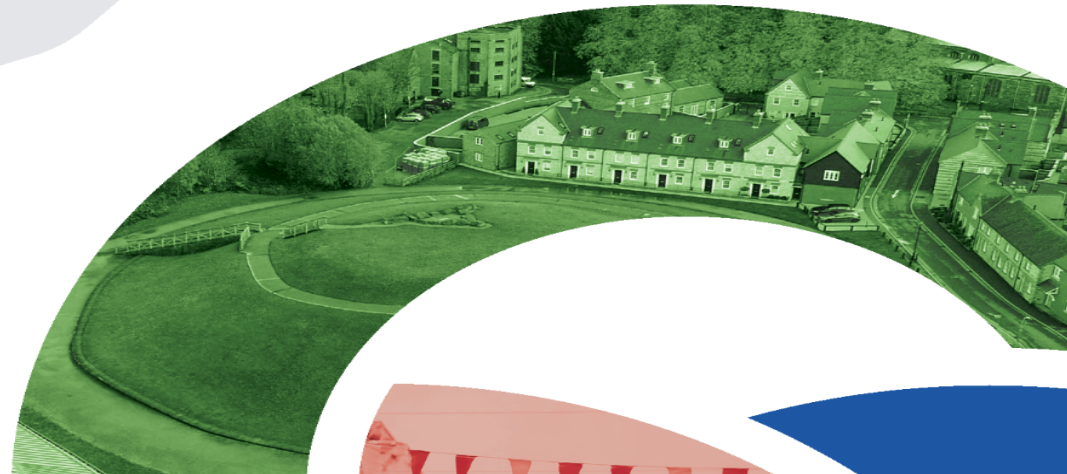


**West  
Northamptonshire  
Council**

# Annual Governance

## Statement

**2022-23**



## Context

The Annual Governance Statement (AGS) is a review of our activities to ensure the Council is carrying out its functions effectively. There is a strong link between effective governance and effective service commissioning and delivery. To deliver the Council's ambitions, Cabinet approved the Council's Corporate Plan for 2021 to 2025 on 8 June 2021.

Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment in operation within the Council for 2022-23. The journey of improvement continues towards a sustainable basis for the organisation as a new Unitary Council.

Councillor Jonathan Nunn

Leader of West Northamptonshire Council

Anna Earnshaw

Chief Executive

DRAFT

## The Purpose of the Governance Framework

---

West Northamptonshire Council (the 'Council') is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively.

The Council also has a duty under the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council approved a Local Code of Corporate Governance on 29 Sept 2021 ([WNC Code of Corp Governance](#)), which is underpinned by the CIPFA / SOLACE Delivering Good Governance in Local Government Framework and is comprised of policies, procedures, behaviours and values by which the Council is controlled and governed. The Council recognises that good governance leads to good management, good performance, good stewardship of public funds, good public engagement and to good outcomes for citizens and service users. Failure to deliver this undermines the confidence of the public in our ability to deliver services and lead fairly and effectively in community matters. Good corporate governance requires the Council to be open, transparent, effective, inclusive of all sectors of the community, accountable to the public it serves and to demonstrate integrity.

The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its priority outcomes and to consider whether those have led to the delivery of appropriate, cost-effective services.

The Council's Code sets out 7 key principles:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the intervention necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity including the capability of its leadership and the individuals within it
- F. Managing tasks and performance through robust internal controls and strong public financial management
- G. Implementing good practices in transparency, reporting and audit, to deliver effective accountability

## The Governance Framework

The Governance Framework was in place at the Council for the year ended 31 March 2023. The 2021-25 Council Plan approved by Cabinet on 8 June 2021 ([WNC Corporate Plan FINAL](#)) identified 6 priorities:

Green and clean	Improved life chances
Connected communities	Thriving villages and towns
Economic development	Robust resource management

## Roles and Responsibilities of Elected Members and Officers

The Council is composed of 93 members, elected every four years, and has overall Conservative control. The Council operated a Cabinet and elected Leader model of decision making, supported by open and accountable working relationships between members and officers. The Council had an agreed Constitution which sets out how it operates, how decisions are made and the procedures which are to be followed to ensure that these are efficient, transparent, and accountable to local people. This includes the defined responsibility for functions including the scheme of delegation, rules of procedure including financial regulations and contract procedure rules and Member and Officer Codes of conduct. Further details of the Council's Committee structure are available on the Council's website.

Strategic management of the Council is provided by the Executive Leadership Team, which comprises:

- Chief Executive. Statutory role: the Council's Head of Paid Service. To ensure that all the authority's functions are properly co-ordinated as well as organising staff and appointing appropriate management (Local Government and Housing Act 1989)
- Deputy Chief Executive and Executive Director People Services (Director of Adult Social Services and Children's Services)
- Executive Director Finance. Statutory role: the Council's section 151 Officer. To arrange for the proper administration of the Council's financial affairs, also known as a Chief Financial Officer (CFO) and to have responsibility for those arrangements. As such, the CFO must lead on a local authority's financial functions and ensure they are fit for purpose. CFOs must be professionally qualified and suitably experienced (Local Government Act 1972 / Local Government Finance Act 1988)
- Executive Director Corporate
- Executive Director Place and Economy
- Director of Legal and Democratic. Statutory role: the Council's Monitoring Officer. To report on matters they believe to be illegal or amount to maladministration, to be responsible for matters relating to the conduct of councillors and officers and, to be responsible for the operation of the council's constitution (Local Government and Housing Act 1989)
- Director of Public Health

**Review of effectiveness**

An annual review of effectiveness has been undertaken and demonstrates how the Council has complied with the CIPFA / SOLACE framework principles. Areas for improvement have also been identified.

Principle	Arrangements in place	Assessment of effectiveness 2022/23
<p><b>Core principle A</b> Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p>	<p>The Council's values are articulated in the THRIVE statement: Trust, High Performing, Respect, Innovation, Value and Empower. Arrangements are in place to provide assurance that our values are upheld, and that members and officers demonstrate high standards of conduct and behaviour.</p>	<ul style="list-style-type: none"> <li>The values form part of regular staff "VIP conversations" (performance and objectives reviews)</li> </ul>
	<p>The Employee Code of Conduct helps every employee to understand what is expected of them and how they should conduct themselves as a representative of WNC. The Code of Conduct Policy details the implementation of the Code.</p>	<ul style="list-style-type: none"> <li>The Employee Code of Conduct is reviewed and updated on a regular basis to ensure that it is effective.</li> <li>Managers are responsible for bringing the Code to the attention of their staff (through induction, training, and instruction) and to take appropriate action if an employee fails to follow the Code.</li> <li>The Code includes a requirement for officers of the Council to declare any conflicts of interest and/or gifts or hospitality, which should be formally registered.</li> <li>The Disciplinary Policy and Procedure (updated in October 2021) helps to promote good employment relations alongside ensuring fairness and consistency in the treatment of individuals</li> </ul>
	<p>The Councillor Code of Conduct defines the standards of expected of elected representatives including a requirement for members to declare any interests at the start of every meeting, which are recorded in a public register.</p>	<ul style="list-style-type: none"> <li>A Democracy and Standards Committee and a Democracy and Standards Hearing Sub-Committee was in place to review any complaints regarding members and to promote high standards of conduct and observance of the Members' Code of Conduct.</li> <li>The process for dealing with Complaints against members is set out in the Council's Constitution. All complaints were subject to initial review by key officers, additional information requested as required, next stage of action and view of Deputy</li> </ul>

		<p>Director of Law and Governance provided to Independent Person for review and consultation</p> <ul style="list-style-type: none"> <li>• Each case has named legal officer to lead on process, with administrative support provided.</li> <li>• There was regular engagement with appointed Independent Persons</li> <li>• Fortnightly meetings were held to review elected member complaints, chaired by Deputy Director of Law and Governance</li> <li>• Identified issues and areas for improvement will result in support and training for relevant members</li> <li>• The Council’s external website provides a way for members of the public to log complaints or concerns regarding elected members.</li> <li>• Four complaints were received in 2022-23, one of which resulted in a formal investigation</li> <li>• <b>Area for improvement:</b> review access routes and ensure process is transparent and easily accessible</li> </ul>
	Whistleblowing policy outlines how issues can be raised internally, and if necessary, outside the management structure. It documents our assurance that concerns will be seriously considered, and appropriate action taken.	<ul style="list-style-type: none"> <li>• The Whistleblowing Policy (approved in May 2021) is available on the Council’s intranet site for access by all employees</li> <li>• <b>Area for improvement:</b> more transparency about the process with suppliers, contractors, and members of the public.</li> </ul>
	New member induction	<ul style="list-style-type: none"> <li>• A member induction for new members and for new members to the West Northamptonshire Council took place in May 2021.</li> <li>• No additional activity as no new elected members</li> <li>• Democratic Services review and identify member skills and develop training and support through the Democracy and Standards Committee, and monitors attendance at mandatory training events.</li> </ul>
	New employee induction	<ul style="list-style-type: none"> <li>• The induction process comprises:</li> </ul>

		<ul style="list-style-type: none"> <li>○ Local induction</li> <li>○ Corporate induction “Our West Welcome”</li> <li>○ Mandatory learning</li> <li>○ Regular review and probation</li> <li>● All new employees should complete the induction process within 14 days of starting</li> <li>● All new employees are invited to attend a half day onboarding session to better understand the culture and principles of the Council</li> <li>● <b>Area for improvement:</b> monitoring and evaluation of the effectiveness of process</li> </ul>
	Our equality, diversity, and inclusion arrangements are the values and procedures to empower our Council and to build a culture of trust and respect for all	<ul style="list-style-type: none"> <li>● Diversity, Equality and Inclusion was a specific workstream in the People Strategy</li> <li>● A Workforce Diversity, Equality and Inclusion Strategy 2023-25 has been launched</li> <li>● Mandatory training is included as part of the new employee induction</li> </ul>
<b>Core principle B</b> Ensuring openness and comprehensive stakeholder engagement	Employee engagement	<ul style="list-style-type: none"> <li>● The Chief Executive All Staff briefing enables key messages to be communicated and gives employees the opportunity to ask questions in public forums and staff are also able to email the Chief Executive directly with personal or professional concerns, ideas or compliments</li> <li>● The Chief Executive weekly bulletin and associated manager briefings provide a mix of formal and informal communication and engagement. Staff are encouraged to submit information for inclusion in the bulletin.</li> <li>● Monthly VIP conversations are encouraged and actively promoted by the Executive Leadership Team</li> <li>● Monthly “coffee with” sessions with ELT members are available to all employees giving the opportunity to hear direct news about the Council and discuss questions and ideas</li> </ul>
	Transparency arrangements	Transparency arrangements

		<ul style="list-style-type: none"> <li>• Compliance with the Transparency Code through information published on the Council's website</li> <li>• Committee reports and webcasts continue to be publicly available</li> <li>• Opposition leaders have confidential monthly briefings directly with the Chief Executive so that any concerns, questions or issues can be raised and clarifications sought.</li> <li>• <b>Area for improvement:</b> finalise the Code of Corporate Governance and publish on the internal and external websites</li> </ul>
	Partnership arrangements	<ul style="list-style-type: none"> <li>• The Council (Constitution section 6) maintains joint / partnership arrangements designed to ensure effective governance arrangements operate in partnerships in which the Council was engaged and their risk effectively managed.</li> <li>• The Council operated a Protocol for the Appointment of Councillors and Officers to Outside Bodies</li> <li>• Arrangements with local councils are managed via the Lead Authority Board</li> <li>• A partnership register is available on the Council's website and lists elected members and key officers sit on the key boards and partner bodies</li> </ul>
	Requests for Information.	<ul style="list-style-type: none"> <li>• The Council had a dedicated Information Governance team which deals with requests for information under the Freedom of Information Act; the Environmental Information Regulations and Subject Access Requests which ensured compliance with requests for information.</li> </ul>
	Comments, compliments, and complaints	<ul style="list-style-type: none"> <li>• The Council has policies listed on its website to support the process:             <ul style="list-style-type: none"> <li>• Comments, compliments, and complaints policy</li> <li>• Unacceptable or unreasonable communications and behaviour policy</li> </ul> </li> <li>• The Council has arrangements in place for complaints to be made and investigated</li> </ul>



		<ul style="list-style-type: none"> <li>The Chief Executives email address is a matter of public record and any members or the public, stakeholder, staff member or Councillor can make direct contact</li> </ul>
<p><b>Core principle C</b> Defining outcomes in terms of sustainable economic, social, and environmental benefits</p>	<p>Corporate Plan 2021 to 2025 provides a strategy to ensure West Northamptonshire is a great place to live, work, visit and thrive and a clear framework for the Council to determine priorities and actions</p>	<ul style="list-style-type: none"> <li>The 2022-23 Annual report provides a comprehensive overview of our accomplishments, challenges and performance</li> </ul>
	<p>Sustainability</p>	<ul style="list-style-type: none"> <li>The Council's sustainability intentions cover environmental, social, and economic issues</li> <li>Alongside the Council's Net Zero by 2030 commitment, residents and businesses are invited to make a sustainability pledge and given help to achieve this</li> </ul>
	<p>Budget 2022-23. The Council is committed to delivering a robust and achievable financial plan, which enables services to deliver</p>	<ul style="list-style-type: none"> <li>The Budget was approved by Full Council</li> <li>The budget monitoring process enables managers to enter forecasts through ERP Gold</li> <li>A Spend Review Panel was introduced during 2022-23 in response to budget pressures and was part of the process which enabled a balanced budget to be delivered</li> </ul>
<p><b>Core principle D</b> Determining the interventions necessary to optimise the achievement of intended outcomes</p>	<p>Executive Leadership Team (ELT) was responsible for:</p> <ul style="list-style-type: none"> <li>Managerial leadership and direction of the Council.</li> <li>Providing the formal response to Cabinet policy direction and the development of corporate policy and initiatives for Cabinet consideration</li> <li>Co-ordination and commissioning of council-wide activity, planning, programme management.</li> </ul>	<ul style="list-style-type: none"> <li>ELT met weekly as the main officer decision-making body, with wider monthly sessions including Assistant Directors</li> <li>ELT met weekly with Cabinet members as part of the Executive Programme Board</li> <li>The Chief Executive meets each Executive Director monthly for a one-to-one review and discussion on any issues or concerns</li> </ul>
	<p>Statutory Officers Review Meeting (STORM) responsible for</p>	<ul style="list-style-type: none"> <li>Provided a new forum for strong accountability, awareness and ownership of key corporate issues across the Chief Executive, Director of Finance (151 Officer) and Monitoring Officer</li> </ul>

	<ul style="list-style-type: none"> <li>• Creating shared understanding and ownership of key corporate risks or concerns</li> <li>• Ensuring that there is line of sight for all 3 core statutory post holders of any issues rising, emerging concerns and that any actions or escalations are monitored</li> </ul>	
	Transformation Programme	<ul style="list-style-type: none"> <li>• Monthly Board meetings to monitor transformation plans and enable the Council to consider progress, interventions and actions required</li> </ul>
	DTI Strategy and Programmes	<ul style="list-style-type: none"> <li>• A Monthly board ensures that all delivery programmes are monitored and any required actions or interventions taken to mitigate delays or increased cost or risk</li> </ul>
	Property and Assets Strategy and Programmes	<ul style="list-style-type: none"> <li>• A monthly board oversees the delivery of all major asset programmes and property projects which can involve higher risk (reputationally or financially) if they face delays or encounter legal or supply issues</li> <li>• A specific task and finish group monitors school build works to ensure there is coordination between estates, assets and education given the risk that delayed schooling can create</li> </ul>
	Performance monitoring	<ul style="list-style-type: none"> <li>• Quarterly corporate performance report, reflective of the range of services that the Council provides and progress against delivery of our major change programmes.</li> <li>• Considered by the Executive Leadership Team to enable corrective action to be taken</li> <li>• These reports were also presented to Cabinet which gives both Cabinet and the public an insight into the Council's overall performance.</li> </ul>
	Risk management	<ul style="list-style-type: none"> <li>• A revised process has been introduced allowing clearer analysis of strategic and operational risks</li> <li>• The Council's risk management process is monitored by the Audit and Governance Committee, with regular updates on corporate risks</li> </ul>

		<ul style="list-style-type: none"> <li>• <b>Area for improvement:</b> further embed the revised process</li> </ul>
	Financial management	<ul style="list-style-type: none"> <li>• The monthly budget monitoring process has a requirement for all managers to return forecasts, supported by finance business partners</li> <li>• Management reports are taken regularly to ELT and Cabinet</li> </ul>
<b>Core principle E</b> Developing the entity's capacity, including the capability of its leadership and the individuals within it	Formal employee performance appraisal and development programme	<ul style="list-style-type: none"> <li>• Regular VIP conversations through which the development needs of staff are identified and met as appropriate</li> </ul>
	Induction programme	<ul style="list-style-type: none"> <li>• As detailed in Core Principle A</li> </ul>
	Elected member training	<ul style="list-style-type: none"> <li>• Councillors' right to training and development is specified in the Constitution. A formal induction programme was arranged for new councillors and councillors new to the Council. The Democracy and Standards Committee is responsible for reviewing the need for Member development.</li> <li>• In-house training and development activities are organised for Councillors to meet identified needs. Councillors also had access to external training and development opportunities.</li> <li>• Online guidance is provided</li> </ul>
	Learning and Development	<ul style="list-style-type: none"> <li>• A range of courses and opportunities to support continuous development; these include Mandatory Learning, Leadership, Management, IT Business Systems, Social Care and Social Work training.</li> </ul>
<b>Core principle F</b> Managing risks and performance through robust internal control and strong public financial management	Internal control	<ul style="list-style-type: none"> <li>• All Directors and Assistant Directors had responsibility for maintaining a sound system of internal control within their area of responsibility and provide an Annual Assurance Statement confirming the adequacy of the governance arrangements in their area.</li> </ul>
	Budget and Financial Management	<ul style="list-style-type: none"> <li>• Arrangements detailed in previous sections</li> </ul>
	Risk management	<ul style="list-style-type: none"> <li>• Arrangements detailed in Core Principle E</li> </ul>

<p><b>Core principle G</b> Implementing good practices in transparency, reporting and audit to deliver effective accountability</p>	<p>The Council's Constitution sets out the governance, controls, and processes applicable across the Council</p>	<ul style="list-style-type: none"> <li>• The Leader and Cabinet (Constitution section 5) were responsible for all executive decisions other than those delegated to Officers. The Cabinet exercises the Council's executive functions, receives reports and recommendations from other Overview and Scrutiny Committees and formulates recommendations in relation to the budget and policy framework to Council</li> <li>• All Executive decisions are detailed on the Council's website</li> <li>• Cabinet and Full Council meetings are called in line with constitutional and legislative requirements</li> <li>• All Council and Cabinet reports require sign off by statutory officers (Monitoring Officer and Section 151 Officer)</li> </ul>
	<p>Cabinet Forward Plan</p>	<ul style="list-style-type: none"> <li>• Forthcoming key decisions by the Cabinet were published in the Cabinet's Forward Plan. The Forward Plan is reviewed regularly by the Executive Leadership Team and Co-ordinating Overview and Scrutiny Group.</li> </ul>
	<p>Scheme of delegation</p>	<ul style="list-style-type: none"> <li>• The Council and Cabinet delegates executive decisions and operational delivery via a formal scheme of delegation to officers as defined within section 9.2 of the Constitution.</li> </ul>
	<p>Overview and Scrutiny Committees</p>	<ul style="list-style-type: none"> <li>• The Council maintained an Overview and Scrutiny function as defined within section 7 of the Constitution.</li> </ul>
	<p>Democracy and Standards Committee</p>	<ul style="list-style-type: none"> <li>• The Council maintained a Democracy and Standards Committee to review the Council's governance arrangements and recommend changes to the Council's Constitution to Council.</li> </ul>
	<p>Audit and Governance Committee</p>	<ul style="list-style-type: none"> <li>• The Council maintained an Audit &amp; Governance Committee whose purpose is to:             <ul style="list-style-type: none"> <li>• Provide independent assurance as to the Council's governance, risk management framework and associated control environment.</li> <li>• Provide independent scrutiny of the Council's financial and non-financial performance and oversee the Council's financial reporting process.</li> </ul> </li> </ul>

		<ul style="list-style-type: none"> <li>• Act as an advisory committee to the Council and the Cabinet on audit and governance issues.</li> </ul>
	Internal Audit	<ul style="list-style-type: none"> <li>• The Council maintained an Internal Audit Service that operated in accordance with the Public Sector Internal Audit Standards. The Head of Audit and Risk Management had direct access to the Chief Executive, the S151 Officer, Directors, the Executive Leadership Team, Members, and the Chair of the Audit &amp; Governance Committee.</li> </ul>

DRAFT

## **Audit and Inspection Assurances**

---

### **Internal Audit**

The Council takes assurance about the effectiveness of the governance environment from various sources including the work of Internal Audit, which provided independent and objective assurance across the whole range of the Council's activities. The Chief Internal Auditor gives an annual opinion on the adequacy and effectiveness of internal control within the Council as required by the Public Sector Internal Audit Standards that provide adherence to the Accounts and Audit Regulations 2015.

The 2022-23 opinion is that the internal control environment of the Council is satisfactory and has been used to inform the Annual Governance Statement. Strong assurance relies upon stable systems operating over a sustained period. The satisfactory opinion reflects the context that the Council commenced operation on 1 April 2021 and processes and services are continuing to embed.

The following key factors identified from Internal audit work and discussions with management were deemed to have impacted the effectiveness of controls and risk management during 2022-23:

- Some systems / services continue to operate as individual, localised systems (rather than single, consistent WNC wide systems). Operating local controls increases both the possibility that different standards of control are applied, and compliance levels are not consistent. The consolidation of localised processes under a single Council approach is planned over a multi-year programme.

### **External Reviews**

#### External Audit

As well as an examination of the Council's financial statements, the work of the Council's External Auditor includes an assessment of the degree to which the Council delivers value for money in its use of its resources. Due to the legacy NCC 20/21 Statement of Accounts still being audited the audit of WNC 21/22 has been delayed. It is expected that both the 21/22 and 22/23 Statement of Accounts will be produced and audited during 23/24. Some audit work, where possible, has already begun on the 21/22 Statement of Accounts.

### West Northamptonshire Council 2022-23 Significant Governance and Forward-Looking Issues

Consistent with best practice all Council Directors completed a Directors Assurance Statement in respect of 2022-23 governance. These provide a process for Directors to confirm the operation of governance within their areas of responsibility and highlight, if needed, any significant weaknesses.

Issues highlighted within Directors Statements are set out in full below:

Director	Issue	Action planned
Stuart Lackenby	There are a number of care providers who have not provided returns that demonstrates that they have spent COVID grants in line with DHSC requirements. While they have been invoiced to repay this money, approx. £2m remains outstanding.	Meeting intended with DHSC to present out position and ask for clarity on next steps. If money is required to be repaid to DHSC, meeting with Debt Recovery to be held to produce action log to address recovery.
Stuart Lackenby	Due to disaggregation, there are many data quality issues in Carefirst which makes it difficult to accurately forecast independent care spend.	Data quality team introduced to review all client profiles on Carefirst to check for data errors and make corrections. Project started to procure a new IT system which will allow for improved data accuracy.
Sally Burns	Jointly commissioned services with NNC and ICB were underpinned by historic arrangements and spend has been difficult to track	A commissioning and contract management function has been put in place and WNC will track and control spend, supported by an increased finance team resource and better data
Sally Burns	The 0-19 contract was previously delivered through a S75 arrangement with NNC and led by the ICB. This was not well managed and there were concerns about performance and accountability of spend	A new contractual arrangement is in place with the provider that has placed NNC and WNC in a stronger position to manage the contract. A service improvement plan has been developed and a complete redesign will be done before recommissioning prior to April 2025. New reporting and governance arrangements are in place.
Rebecca Wilshire	Spend and performance delivery by NCT have been of increasing concern. The current year overspend is expected to be more than £27m (across Northants). The Intelligent Client Function (ICF) in place to manage NCT has not provided the assurance the WNC DCS requires.	While retaining the existing governance mechanisms across WNC, NNC, NCT and DfE, there is a review of the ICF and contract management approaches are being reconsidered. WNC has appointed a DCS to oversee delivery of its statutory duties through NCT. There is now

		more detailed reporting on spend against budgets - challenged by WNC finance, and continued work on placement costs management
Rebecca Wilshire	Pressure from children with SEND or excluded from school is increasing. Jointly commissioned services with NNC and ICB are being revised with an accompanying increase in risk	Mitigation is to step away from joint arrangements with NNC and develop SEND and Alternative Provision Strategies aimed at better outcomes while focusing on controlling spend.
Nick Henstock	<p><b>Home to School Transport Audit</b></p> <p>Disclosure and Barring Service, Passenger Assistant Training Scheme &amp; Surveys - Management should ensure that:</p> <ul style="list-style-type: none"> <li>• All drivers and PAs are trained in a timely fashion as per DBS Specification.</li> <li>• Regular passenger surveys are undertaken, analysed and actioned accordingly,</li> </ul>	The requirement for operators to provide training, in accordance with the DPS Specification, will be incorporated into the new framework agreement from April 2024.

The purpose of this AGS is to reflect on the governance arrangements for the 2022-23 financial year and consider issues that are likely to impact on governance for 2023-24 and onwards.

- **Local Government Review** – The various work streams to consolidate within a single WNC approach remain challenging through 2022-23 and 2023/24.
- **Children’s Trust** – The Council’s support to and oversight of service delivery by the Children’s Trust will continue to evolve and embed through 2023-24.
- **Partnership with North Northamptonshire Council and other Councils via the shared service and other arrangements** – Both Councils work in partnership on several issues and West Northamptonshire Council provides several support services to NNC. The process of management and, as required, disaggregation is ongoing.

Whilst these are relevant governance issues, they are recognised within the Council priorities and processes for 2023-24 and no specific actions are required.

2021-22 assurance issues continue to be monitored and are detailed in Annex A.



**ANNEX A**

2021-22 Issue		Lead officer/Date	Action, Update
1	The Limited Internal Audit opinions in relation to NPH and the Social Lettings Agency highlighted within the NBC AGS 2020-21 be updated with progress during 2021-22 and reported to AGC	Chief Internal Auditor	In progress: NPH - Governance Framework presented to Cabinet 17th January 2023. New agreement between WNC and NPH Autumn 2023.  In progress: Social Lettings Agency - although WNC are not pursuing a Social Lettings Agency, we are looking to refresh the private sector leasing scheme in Spring/Summer 2023
2	Shared Services - The change agenda continues for LGSS in providing key back-office services to WNC and partner Councils. Assurance regarding those controls is essential as the Councils move from initial set up priorities to business as usual.	Executive Director Finance	Closed: Assurance is given to the lead authority board on the provision of good levels of governance.
3	Contract Management - various issues were previously highlighted within the County Council around the robust management of contracts. The predecessor novation of contracts to the Council and the Children's Trust. Assurance regarding those controls is essential as the Councils move from initial set up priorities to business as usual.	Transformation Director	Closed: A number of improvements and new policies and procedures have been implemented by the Procurement team since vesting day for both WNC and NCT.
4	Predecessor Council Revenues & Benefits practices and subsidy issues being investigated by Finance to understand the scale and impact.	Executive Director Finance	In progress: A corporate project has been launched to look at the areas of temporary accommodation and supported exempt with the aim of looking at the commissioning of providers and the area of HB subsidy. This is a complex cross departmental project involving Revenues and Benefits, Housing and Adult Social Care and has an impact on both housing providers and some of our most vulnerable customers. Stage 1 of the project has been completed and work continues. The project is likely to run until March 2024.

5	Billing Interfaces do not match between ERP Gold and Abacus. Business systems are currently investigating as ERP Gold does not align with BAM Portal either.	Deputy Chief Executive	Closed
6	Debt Recovery: A large volume of queries relating to invoices raised where current resources cannot commit to supporting debt recovery action. Additional resource has been agreed to support with debt queries from April 2022 for 6 months.	Deputy Chief Executive	<p>Ongoing: Resources in place, service and customer engagement improved, processes developed and implemented and debt reporting enhanced.</p> <p>In the coming months management will monitor the success of these changes as well as deliver further improvements.</p>
7	Debt Recovery: Debt hosted in the West but relates to North funded customers is not being progressed efficiently. Debt team are trying to resolve debt queries, but staff do not have access to customer information.	Deputy Chief Executive	<p>Closed: A number of improvements have been implemented by the Debt Team since vesting day in conjunction with ASC.</p>

DRAFT



# WEST NORTHAMPTONSHIRE COUNCIL AUDIT AND GOVERNANCE COMMITTEE

26 July 2023

<b>Report Title</b>	<b>Northampton Borough Council Audit Results Report 2021-22</b>
<b>Report Author</b>	<b>Martin Henry – Executive Director, Finance</b>  <b>martin.henry@westnorthants.gov.uk</b>

## Contributors/Checkers/Approvers

<b>West MO</b>	Catherine Whitehead	
<b>West S151</b>	Martin Henry	14/07/23
<b>Other Director/SME (if applicable)</b>		

## List of Appendices

### Appendix A – Ernst & Young (LLP) Final Audit Results Report 2020-21

#### 1. Purpose of Report

- 1.1. Following the reorganisation of local government in Northamptonshire on 1 April 2021, West Northamptonshire Council (WNC) undertook to oversee the conclusion of the audit of prior year accounts for Northampton Borough Council (NBC) and other sovereign authorities within the county.
- 1.2. This report presents the Final Audit Results Report produced by Ernst & Young LLP (EY LLP) in relation to the Northampton Borough Council Statement of Accounts for 2020-21.

#### 2. Executive Summary

- 2.1 Ernst and Young LLP (EY LLP) were appointed as the Council’s external auditors from the 2018-19 financial year through to 2020-21.
- 2.2 The External Auditor is required to report separately to this Committee on the findings during the audit of accounts. The Audit and Governance Committee is required to consider the Audit Results Report 2020-21 (ISA 260) presented by EY at Appendix A.

### **3. Recommendations**

---

- 3.1 It is recommended that the Committee consider the external Provisional Audit Results report and recommendations.

### **4. Reason for Recommendations**

---

- 4.1 The recommendations are necessary to comply with legislation and policies of the Council.

### **5. Report Background**

---

- 5.1 The External Auditor’s Audit Results Report is set out in Appendix A and will be presented by the External Auditor to the Committee. It contains the following sections:
- Executive Summary
  - Areas of Audit Focus
  - Audit Report
  - Audit Differences
  - Value for Money
  - Other Reporting Issues
  - Assessment of Control Environment
  - Independence
  - Appendices

### **6. Issues and Choices**

---

- 6.1 No alternative options have been considered as the external auditor is required to communicate the audit findings to the Committee.

### **7. Implications (including financial implications)**

---

#### **7.1 Resources and Financial**

- 7.1.1 There are no resource or financial implications arising from the report.

#### **7.2 Legal**

7.2.1 There are no legal implications arising from the report.

**7.3 Risk**

7.3.1 There are no significant risks arising from the proposed recommendations in this report.

**7.4 Consultation**

7.4.1 Not applicable

**7.5 Consideration by Overview and Scrutiny**

7.5.1 Not applicable

**7.6 Climate Impact**

7.6.1 Not applicable

**7.7 Community Impact**

7.7.1 Not applicable

**8. Background Papers**

---

8.1 None.

This page is intentionally left blank

# Northampton Borough Council

## Final Audit Results Report

Year ended 31 March 2021

April 2023

Private and Confidential

April 2023



West Northamptonshire Council  
One Angel Square  
Angel Street  
Northampton  
NN1 1ED

Dear Audit and Governance Committee Members

We are pleased to provide our final audit results report for the forthcoming meeting of the Audit and Governance Committee. This report summarises our audit conclusion in relation to the audit of Northampton Borough Council for 2020/21.

We have completed our audit of Northampton Borough Council ('the Authority or Council') for the year ended 31 March 2021.

We confirm that we expect to issue an unqualified audit opinion on the financial statements in the form in Section 3. We also intend to include an Emphasis of Matter paragraph within our auditor's report highlighting disclosures within the financial statements of the demise of the Authority on 31 March 2021. In addition, we are reporting matters about the arrangements that were in place at Northampton Borough Council during 2020/21 to secure economy, efficiency and effectiveness in the use of resources.

This report is intended solely for the use of the Audit and Governance Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the next meeting of the Audit and Governance Committee meeting on 14 June 2023.

Yours faithfully

**Janet Dawson**

Partner

For and on behalf of Ernst & Young LLP



# Contents



Public Sector Audit Appointments Ltd (PSAA) issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment and further guidance (updated April 2018)' issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Governance Committee and management of West Northamptonshire Council, as the successor body to Northampton Borough Council, in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee and management of West Northamptonshire Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee and management of West Northamptonshire Council for this report and for the opinions we have formed. It should not be provided to any third party without our prior written consent.



# 01 Executive Summary

# Executive Summary

## Changes since our provisional audit results report

We provided a provisional audit results report to the 28 April 2022 meeting of the Audit and Governance Committee. Since then, we have encountered significant challenges in completing the audit and identified a large number of further findings and observations. For this reason, we do not consider it practical to highlight where this report has changed from our provisional report and encourage that this report is considered in full.

## Scope update

In our Audit Planning Report presented at the 10 November 2021 Audit and Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We have carried out our audit in accordance with this plan, with the following exceptions:

### Changes in materiality

We revisited our planning materiality assessment using the draft statement of accounts. Based on our materiality measure of gross expenditure on provision of services, we updated our overall materiality assessment to £3.8m (£4.5m per the Audit Planning Report). This results in updated performance materiality at 50% of overall materiality of £1.9m (£2.2m per the Audit Planning Report), and an updated threshold for reporting misstatements of £0.19m (£0.2m per the Audit Planning Report).

The reduction in materiality was due to the £33m decrease in gross expenditure from 2019/20 to 2020/21, which largely related to PPE valuation movements.

### Value for Money

In our Audit Planning Report, we indicated that we intended to reflect the particular circumstances of the Council as a demised body by providing a single commentary on arrangements covering all of the demised bodies whose functions were transferred to West Northamptonshire Council. It has since been clarified by the National Audit Office that auditors' commentaries on arrangements for demising bodies should focus on whether or not any significant weaknesses were identified at the demised body, but may also highlight any other findings that the auditor considers appropriate.

We have also subsequently assessed that it is more appropriate to provide separate commentary for each of the demised bodies whose functions were transferred to West Northamptonshire Council, and will therefore provide a specific commentary for Northampton Borough Council.

We are still to prepare our commentary, however it will include narrative on the matters described within section 5 of our report as we consider these to be significant weaknesses in the Council's arrangements. Our final commentary will be included in our Auditor's Annual Report.

### Use of EY specialist

In our Audit Planning Report, we indicated that we would utilise EY Real Estate, our internal specialists on asset valuations, to review the Council's external valuer's valuation of a sample of assets identified as at higher risk of misstatement. Following further risk assessment of the Council's assets portfolio and the valuations used within the financial statements, we have determined that use of our internal specialists was not required,



## Executive Summary

### Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability  
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance  
How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:  
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Auditors' commentaries on arrangements for demising bodies are not required to provide a full commentary against the above criteria, however they should focus on whether or not any significant weaknesses were identified at the demised body and may also highlight any other findings that the auditor considers appropriate.

We are still to prepare our commentary, however it will include narrative on the matters described within section 5 of our report as we consider these to be significant weaknesses in the Council's arrangements. Our final commentary will be included in our Auditor's Annual Report.



# Executive Summary

## Audit differences

We have identified a large number of audit differences during the course of our audit, which are detailed in section 4.

Management have opted to correct the majority of identified audit differences. The aggregate impact of audit differences which management have said will remain unadjusted would be to increase the surplus on provision of services by £970k and increase net other comprehensive income by £282k. We ask that they be corrected or a rationale as to why they are not corrected be included in the Letter of Representation.

The aggregate impact of audit differences which have been corrected by management was to decrease the surplus on provision of services by £8,940k and decrease the net other comprehensive income by £7,156k. We would like to thank management for their assistance in demonstrating how audit differences have been corrected, as the volume of such changes has been particularly complex to review.

## Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We have no other matters to report.

## Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Northampton Borough Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of Audit Focus" section of this report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues;
- ▶ You agree with the resolution of the issue;
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Governance Committee.



# Executive Summary

## Control Observations

Given that the Authority ceased to exist on 1 April 2021, we have not made recommendations as to how management should seek to address control observations noted during the course of our audit. We do, however, have several specific observations which we wish to bring to your attention for information as the successor organisation for action where appropriate.

Further details of our observations are set out in Section 7.

We also note that the Council's internal auditor reported a significant deterioration in the Council's internal control environment during 2020/21, and we consider this further within section 5 of our report. We also consider this to be a factor in the significant volume of audit differences reported in section 4 of our report.

## Independence

Please refer to Section 8 for our update on Independence.



## 02 Areas of Audit Focus



# Areas of Audit Focus

## Significant risk

### Misstatements due to fraud or error

#### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

#### What judgements are we focused on?

The specific fraud risks identified relate to the inappropriate capitalisation of expenditure when considering revenue and expenditure recognition. Further details of our response to this risk are set out on the next page.

#### What did we do?

- ▶ We identified fraud risks during the planning stage of our audit;
- ▶ We enquired of management and those charged with governance about risks of fraud and the controls put in place to address those risks, and considered the effectiveness of those controls;
- ▶ We determined an appropriate strategy to address those identified risks of fraud; and
- ▶ We performed mandatory procedures regardless of specifically identified fraud risks, including:
  - ▶ testing of journal entries and other adjustments in the preparation of the financial statements;
  - ▶ assessing accounting estimates for evidence of management bias; and
  - ▶ evaluating the business rationale for significant unusual transactions.

#### What are our conclusions?

Our testing of the Collection Fund NNDR appeals provision identified that whilst management had calculated an appropriate provision, this was not the amount which had been included within the financial statements. The amount included within the financial statements was higher than the amount determined by management by £1,431k. The Council's share of the overall provision was overstated by £572k as a result.

Our testing of other balances within the financial statements, including accounting estimates such as the valuation of land and buildings, identified a large number of misstatements however we have not noted evidence that there was a deliberate bias to such misstatements or attempts to achieve a particular outturn. Further details of the misstatements identified are provided in section 4.

The majority of misstatements identified have been corrected by management. We are content that, following these corrections, we have sufficient assurance that the financial statements are free of material misstatement as a result of fraud or error.





## Areas of Audit Focus

### Significant risk

#### Risk of fraud in revenue and expenditure recognition - Inappropriate capitalisation of expenditure

##### What is the risk?

Under ISA 240, there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

##### What judgements are we focused on?

For the Council, we consider this risk most likely to manifest through incorrect capitalisation of amounts which should be charged to the Comprehensive Income and Expenditure Statement (CIES) as expenditure.

##### What did we do?

- ▶ We tested a sample of capital grants and contributions to confirm that they have been recognised in accordance with agreed terms and conditions;
- ▶ We tested a sample of Revenue Expenditure Funded from Capital Under Statute (REFCUS) to confirm that it meets the criteria set down in governing regulations; and
- ▶ We tested a sample of capital additions to confirm they meet the criteria for capitalisation set out in accounting standards.

##### What are our conclusions?

We have identified an overstatement of £496k of the amount released from the Capital Receipts Reserve to the Capital Adjustment Account to finance capital expenditure during 2020/21. This arose due to revisions to management's workings not being reflected consistently within the financial statements, and resulted in an understatement of usable reserves and an overstatement of unusable reserves of £496k.

In addition, our testing of capital additions identified balances which were not appropriate for classification as capital expenditure. We estimate the level of inappropriately capitalised expenditure to be £571k.

We have no other matters relating to this risk to report.

We are content that the financial statements are not materially misstated as a result of inappropriate capitalisation of expenditure.



## Areas of Audit Focus

### Significant risk

#### Valuation of land and buildings, other than council dwellings and heritage assets

##### What is the risk?

Land and buildings are significant assets on the Council's Balance Sheet. The valuation of land and buildings is dependent upon a number of judgements and assumptions, small changes in which can have a significant impact upon the financial statements.

For 2020/21, we exclude heritage asset land and buildings from the scope of our risk as our work over this area in the prior year found no issues and, in line with the Code of Accounting Practice, the Council chose not to revalue this class of asset in 2020/21. We have excluded council dwellings from the scope of this risk since 2019/20.

##### What judgements are we focused on?

The valuation of non-current assets is performed by an external valuer and relies upon significant estimation and assumptions. We focus our work on the appropriateness of the valuer's work and the assumptions used to value non-current assets.

##### What did we do?

- ▶ We considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- ▶ We sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ We considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for property, plant and equipment, and annually for investment property. We will also considered if there are any specific changes to assets that have occurred and whether these were communicated to the valuer;
- ▶ We reviewed assets that were not subject to valuation in 2020/21 to confirm the remaining asset base is not materially misstated;
- ▶ We considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ We tested the accounting entries relating to the valuation of non-current assets to ensure they had been correctly processed in the financial statements.

##### What are our conclusions?

We encountered significant difficulty in executing our audit procedures in relation to the valuation of land and buildings, due to a high number of errors in individual valuations and a loss of corporate knowledge about the Council's assets following the demise of the Council.

The aggregate impact of the individual misstatements of land and buildings which we have identified and which have been corrected by management was to decrease the valuation of property, plant and equipment, other than council dwellings, by £2,948k and to decrease the valuation of investment property by £846k.

We do however note that within these net impacts, there are large individual misstatements resulting in both overstatements and understatements. Further details of the misstatements identified in the valuation of land and buildings are provided in section 4.

The net impact of identified misstatements of land and buildings which have not been corrected by management would be to increase the valuation of property, plant and equipment by £270k and increase the valuation of investment property by £586k.

There are however several assumptions within the valuation of land and buildings which, whilst we consider them acceptable, we consider should be brought to the attention of the Audit and Governance Committee as management judgements (see next page).



## Areas of Audit Focus

### Significant risk

#### Valuation of land and buildings, other than council dwellings and heritage assets (continued)

##### What is the risk?

Land and buildings are significant assets on the Council's Balance Sheet. The valuation of land and buildings is dependent upon a number of judgements and assumptions, small changes in which can have a significant impact upon the financial statements.

For 2020/21, we exclude heritage asset land and buildings from the scope of our risk as our work over this area in the prior year found no issues and, in line with the Code of Accounting Practice, the Council chose not to revalue this class of asset in 2020/21. We have excluded council dwellings from the scope of this risk since 2019/20.

##### What judgements are we focused on?

The valuation of non-current assets is performed by an external valuer and relies upon significant estimation and assumptions. We focus our work on the appropriateness of the valuer's work and the assumptions used to value non-current assets.

##### What did we do?

- ▶ We considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- ▶ We sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ We considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for property, plant and equipment, and annually for investment property. We will also considered if there are any specific changes to assets that have occurred and whether these were communicated to the valuer;
- ▶ We reviewed assets that were not subject to valuation in 2020/21 to confirm the remaining asset base is not materially misstated;
- ▶ We considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ We tested the accounting entries relating to the valuation of non-current assets to ensure they had been correctly processed in the financial statements.

##### What are our conclusions (continued)?

- The valuation basis of the Old Gaol Block has changed between 2019/20 and 2020/21. In the prior year this asset was valued as an office building, however for the current year it has been valued as a museum following the completion of renovation work to the integrated Northampton Museum. In addition, the unit costs for rebuild as a museum are at the upper end of our expectations for such costs. The impact of these changes was to increase the value of the asset by 64% (£3.8m); and
- The Council has a range of assets which are valued on a depreciated replacement cost (DRC) basis (i.e. what they would cost to rebuild, adjusted for wear and tear). DRC valuations typically include percentage uplifts for external costs and fees, which we noted were as high as 40% of underlying cost in the Council's valuations. We would not normally expect such uplifts to exceed 25%, however we also noted that when considered alongside other assumptions the valuations were overall within the expected range. Nevertheless, there remains a risk that valuations in future periods may be inappropriate if the uplifts applied are not appropriate.

Based on the results of our procedures, we are content that the financial statements are not materially misstated as a result of incorrect valuations of land and buildings.



## Areas of Audit Focus

# Higher inherent risk

### Pension liability valuation

#### What is the risk?

Accounting for the Authority's defined benefit pension scheme liabilities involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management specialists and the assumptions underlying fair value estimates.

#### What did we do?

- ▶ We liaised with the audit team of the Northamptonshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Northamptonshire Borough Council. Note that the audit of the Pension Fund is also performed by EY;
- ▶ We assessed the work of the Pension Fund actuary (Hymans Robertson), including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and review of this work by the EY actuarial team;
- ▶ We evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's actuarial model; and
- ▶ We reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to defined-benefit pensions.

#### What are our conclusions?

Our review of the work of the Council's actuary, including the assumptions they have used, has not identified any matters to bring to your attention.

We note that the asset information originally provided by the Pension Fund to the actuary was based on expected returns for the final quarter which subsequently differed from the actual returns over this period. This fact was identified by management and a second report obtained from the actuary which reflected the actual return on the Pension Fund's assets up to 31 March 2021. This updated valuation was used in the draft financial statements, therefore no misstatement arose.

Our review of pension-related disclosures identified a number of disclosure matters, primarily relating to internal consistency and the impact on disclosures in the current year of an audit adjustment made in 2019/20, however these have all been addressed by management.

We have no other matters to report in respect of this risk.

We are therefore content, based on our procedures, that the financial statements are not materially misstated as a result of incorrect valuation of pension liabilities.



# 03 Audit Report



# Audit report

We include below a copy of the auditor's report we propose to issue.

## Our opinion on the financial statements

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHAMPTON BOROUGH COUNCIL (DEMISED)

#### Opinion

We have audited the financial statements of Northampton Borough Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- ▶ Authority and Group Comprehensive Income and Expenditure Statement,
- ▶ Authority and Group Movement in Reserves Statement,
- ▶ Authority and Group Balance Sheet,
- ▶ Authority and Group Cash Flow Statement,
- ▶ related notes 1 to 33 to the Authority's financial statements and notes 1 to 14 to the Group financial statements,
- ▶ Housing Revenue Account Income and Expenditure Statement, the Movement in Housing Revenue Account Reserve Statement, and the related notes 1 to 6, and
- ▶ Collection Fund Income and Expenditure Account and the related notes 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- ▶ give a true and fair view of the financial position of Northampton Borough Council and the Group as at 31 March 2021 and of its expenditure and income for the year then ended; and
- ▶ have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of matter - Local government reorganisation

We draw attention to Note 1A.a & Note 1B.V which disclose the local government reorganisation in Northamptonshire. As stated in these disclosures, a new council called West Northamptonshire Council replaced the Council in April 2021. The Council's assets, liabilities, services, and functions transferred to the new West Northamptonshire Council on 1 April 2021. Our opinion is not modified in respect of this matter.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Executive Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.



# Audit report

## Our opinion on the financial statements (continued)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or Authority's ability to continue as a going concern for a period to 30 April 2024.

Our responsibilities and the responsibilities of the Executive Director of Finance with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

### Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Executive Director of Finance is responsible for the other information contained within the Statement of Accounts.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard

## Matters on which we report by exception

We report to you if:

- ▶ in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- ▶ we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- ▶ we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

In respect of the following we have matters to report by exception:

We report to you, if we are not satisfied that the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021. On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have identified the following significant weaknesses in the Authority's arrangements for the year ended 31 March 2021.



# Audit report

## Our opinion on the financial statements (continued)

In September 2013, the Authority advanced a loan to Northampton Town Football Club of £10.25m to carry out works to improve stadium facilities and develop a hotel. The money was passed to a third-party developer and concerns about the recoverability of the loan resulted in the full loan balance being written-off during the year to 31 March 2016. In December 2016, the Authority's internal auditor issued a report into the circumstances of the loan which raised a number of concerns over failings in the systems of governance and internal control.

In response, the Authority produced a Governance Action Plan containing a number of actions to address the governance and internal control issues raised. In September 2018, management adopted a less formal approach to addressing the remaining actions and formally closed the Governance Action Plan with several actions either outstanding or implemented in a manner which we are unable to conclude as embedded within the organisation.

The Authority has been unable to evidence any substantial progress against the outstanding actions from the Governance Action Plan during the year to 31 March 2021. These actions relate to the Authority's arrangements for approving significant new transactions and are therefore relevant to the Authority's deployment of significant resources. The lack of progress against the outstanding actions from the Governance Action Plan is therefore evidence of a significant weakness in the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources.

In addition, in their Annual Report and Annual Statement of Assurance the Authority's internal auditor concluded that they were only able to issue a limited opinion over the Authority's arrangements for governance, risk and control during the year ended 31 March 2021. They also highlighted a theme across a number of their reviews of the Authority 'not having effective arrangements to oversee performance and see through actions' and concluded that 'some fundamental elements of governance and oversight were not operating effectively'. Concerns were also raised over the timeliness and adequacy of management responses to internal audit recommendations.

The observations and recommendations of internal audit cut across a range of the Authority's more significant activities and included high priority recommendations relating to the oversight of the Authority's subsidiary, the delivery of capital projects and safeguarding arrangements.

The breadth and variety of significant control observations raised by internal audit, coupled with management responses to recommendations which were delayed and insufficient, are evidence of a significant weakness in how the Authority ensures that it makes informed decisions and properly manages its risks through its governance processes. Specifically, the Authority is not able to demonstrate that known weaknesses in internal control are being addressed and that controls which previously operated effectively are continuing to do so. As a result, there is an increased risk that the Authority has not deployed its resources in an economic, efficient and effective manner or has taken decisions which will result in future resources not being deployed in an economic, efficient and effective manner.

On 1 April 2021, all of the functions and services of the Authority transferred to the newly created West Northamptonshire Council along with the functions and services of South Northamptonshire Council, Daventry District Council and parts of Northamptonshire County Council.

We therefore recommend that management of West Northamptonshire Council, as the successor body to Northampton Borough Council, should consider the extent to which the weaknesses in arrangements identified at Northampton Borough Council may still be applicable to the new authority and develop an action plan to address any extant weaknesses identified.





# Audit report

## Our opinion on the financial statements (continued)

### Responsibility of the Executive Director of Finance

As explained more fully in the Statement of Responsibilities set out on page 11, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the Group and Authority financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Finance is responsible for assessing the Group and Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

*Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- ▶ We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant are:
  - o Local Government Act 1972,
  - o Local Government and Housing Act 1989 (England and Wales),
  - o Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
  - o Local Government Act 2003,
  - o The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020 and 2021,
  - o Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),
  - o The Local Government Finance Act 2012,
  - o The Local Audit and Accountability Act 2014, and
  - o The Accounts and Audit Regulations 2015.

In addition, the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.



# Audit report

## Our opinion on the financial statements (continued)

We understood how Northampton Borough Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Group and the Authority's committee minutes and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Group and the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance through inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether Northampton Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Northampton Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Northampton Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## Certificate

We cannot formally conclude the audit and issue an audit certificate until the NAO as group auditor has confirmed that no further assurances will be required from us as component auditors of Northampton Borough Council. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.



# Audit report

## Our opinion on the financial statements (continued)

In addition, we cannot formally conclude the audit and issue an audit certificate until we have issued our Auditor's Annual Report for the year ended 31 March 2021. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

### Use of our report

This report is made solely to the members of Northampton Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Northampton Borough Council and Northampton Borough Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Janet Dawson (Key Audit Partner)  
Ernst & Young LLP  
London  
[date]



# 04 Audit Differences



# Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

## Summary of unadjusted audit differences

We highlight the following misstatements to the financial statements and/or disclosures which management have indicated will remain unadjusted. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be provided within the Letter of Representation.

### Misstatements impacting income and expenditure

- ▶ The net impact of identified misstatements of investment properties which have not been corrected by management would be to increase the valuation of investment property and the gain on revaluation recognised in the surplus on provision of services by £586k.
- ▶ We noted that the valuation of the NNDR appeals provisions reflected within the Collection Fund Statement did not agree to management’s underlying workings. As a result, the Council’s share of the provision and the provision expense recognised in the Council’s own financial statements are overstated by £572k.
- ▶ The extrapolated most likely error arising from the incorrect treatment of expenditure as capital identified through our testing of capital additions is an understatement of expenditure and overstatement of property, plant and equipment of £571k.
- ▶ The net impact of identified misstatements of housing land and buildings which have not been corrected by management would be to decrease the valuation of property, plant and equipment and the gain on revaluation recognised in the surplus on provision of services by £406k.
- ▶ The net impact of identified misstatements of other land and buildings which have not been corrected by management would be to increase the valuation of property, plant and equipment by £676k, increase the gain on revaluation recognised in the surplus on provision of services by £394k and increase the gain on revaluation recognised in other comprehensive income and expenditure by £282k.
- ▶ The extrapolated most likely error arising from misstatements identified in our testing of expenditure is an overstatement of expenditure in the current year of £395k, understatement of expenditure in the prior year of £212k and overstatement of accruals of £183k.

The net impact of the above unadjusted audit differences would be to increase the surplus on provision of services by £970k and increase net other comprehensive income by £282k.



# Audit Differences

## Summary of unadjusted audit differences (continued)

### Misstatements impacting disclosures

- ▶ We noted differences between the Council's fixed asset register and the financial statement disclosures which have resulted in an overstatement of the gross cost and the accumulated depreciation and impairment of community assets of £236k. This has no impact on the net amount recognised on the balance sheet.

### Misstatements impacting the Collection Fund Statement

- ▶ We noted that the valuation of the NNDR appeals provisions reflected within the Collection Fund Statement did not agree to management's underlying workings. As a result, the provision and the in-year provision expense are overstated by £1,431k.

## Summary of adjusted audit differences

We highlight the following misstatements to the financial statements and/or disclosures which management have corrected in the final financial statements.

### Misstatements impacting income and expenditure

- ▶ Our testing of the valuation of the Council's car parks identified an assumption by management that car park usage would remain at pre-pandemic levels, which we considered to be inappropriate. A revised methodology was subsequently developed by management which assumes a staggered return to 85% of pre-pandemic usage, resulting in a reduction in the valuation of car parks of £7,686k, a loss on revaluation recognised in other comprehensive income and expenditure of £6,302k and a loss on revaluation recognised in the surplus on provision of services of £1,384k. Additional disclosure has also been added to disclose the assumptions made in valuing the portfolio of car parks as a key management assumption.
- ▶ Our testing of other land and building values on a depreciated replacement cost basis identified multiple misstatements with a net impact of overstating other land and buildings by £3,023k, overstating the gain on revaluation recognised in the surplus on provision of services by £332k and overstating the gain on revaluation recognised in other comprehensive income by £2,691k.
- ▶ Our testing of council dwellings identified a number of properties acquired during the year for which management had assumed the purchase price was a reasonable proxy for fair value rather than seeking revaluation. Whilst this is reasonable for the market price, management omitted to apply the social housing discount factor applicable to the valuation of council dwellings resulting in an overstatement of council dwellings and the gain on revaluation of £2,371k.
- ▶ Our testing of Covid grants identified discretionary grant payments which the Council had incorrectly assessed as acting as agency transactions, resulting in an understatement of expenditure and the associated grant income of £1,722k. This had no net impact on the surplus on provision of services.

Our testing of council dwellings identified two estates which had been demolished pending redevelopment but not appropriately derecognised, resulting in an overstatement of assets under construction of £1,207k, an overstatement of council dwellings of £709k, an understatement of losses on disposal and revaluation recognised in the surplus on provision of services of £1,704k and an overstatement of the gain on revaluation recognised in other comprehensive income of £212k.



# Audit Differences

## Summary of adjusted audit differences (continued)

- ▶ Our testing of the valuation of the Council's portfolio of garages identified inaccuracies in the Council's records of the size and use of the portfolio, resulting in an overstatement of housing land and buildings of £692k, an understatement of assets under construction of £780k, an overstatement of the gain on revaluation recognised in the surplus on provision of services of £435k and an understatement of the gain on revaluation recognised in other comprehensive income of £523k.
- ▶ During the implementation of other audit adjustments, management identified a duplication of assets between council dwellings and assets under construction resulting in an overstatement of assets under construction and the gain on revaluation recognised in the surplus on provision of services of £778k.
- ▶ Our testing of grant income identified an incorrect release of section 31 grant income carried forward at the previous reporting date, resulting in an overstatement of income and understatement of deferred income at 31 March 2021 of £735k.
- ▶ Our testing of the valuation of the Council's car parks identified that the Council had incorrectly derecognised Midsummer Car Park a number of years ago. Re-recognition of this asset resulted in an increase to other land and buildings and a gain on recognition of £600k.
- ▶ Our testing of investment properties identified several misstatements with a net impact of overstating investment property and the gain on revaluation by £547k.
- ▶ Our testing of infrastructure assets identified the incorrect classification of assets as infrastructure, resulting in an overstatement of infrastructure assets of £616k, understatement of council dwellings of £528k and understatement of assets under construction of £88k. The £528k reclassified to council dwellings was subsequently impaired leading to an increase in impairment expense of £528k.
- ▶ Our testing of other land and building values on an existing use basis identified multiple misstatements with a net impact of overstating other land and buildings by £499k, understating the gain on revaluation recognised in the surplus on provision of services by £16k and overstating the gain on revaluation recognised in other comprehensive income and expenditure by £515k.
- ▶ Our testing of capital additions identified the incorrect treatment of insurance proceeds received following the fire at the Northampton Museum, resulting in an understatement of impairment expense and an understatement of income of £368k. This had no net impact on the surplus on provision of services.
- ▶ Our review of the valuation report provided by the Council's external valuer identified inaccuracies in the recording of housing land and building valuations, resulting in an understatement of housing land and buildings of £313k, an understatement of the gain on revaluation recognised in the surplus on provision of services of £55k and an understatement in the gain on revaluation recognised in other comprehensive income of £258k.

Our testing of investment property identified the incorrect classification of Doulton Community Centre as an investment property, resulting in the incorrect valuation methodology being applied. Correction of this matter led to a decrease in investment property of £299k, an increase in other land and buildings of 104k and an impairment expense of £195k.



# Audit Differences

## Summary of adjusted audit differences (continued)

The net impact of the above adjusted audit differences was to decrease the surplus on provision of services by £8,940k and, including the audit difference below, decrease net other comprehensive income by £7,156k.

### Misstatement impacting other comprehensive income and expenditure

- ▶ Our testing of other land and buildings identified an understatement of the Northampton Museum and the gain on revaluation recognised in other comprehensive income of £1,184k.

### Misstatements impacting the Balance Sheet

- ▶ We challenged management on the appropriateness of the Council's NNDR appeals provision being treated as a wholly current liability, resulting in a reclassification of £2,480k of the provision from current to non-current liabilities.
- ▶ Our review for unrecorded liabilities identified an unrecorded capital invoice, resulting in an increase in assets under construction and in accruals of £360k.

### Misstatements impacting classification in the Comprehensive Income and Expenditure Statement

- ▶ Our testing of taxation and non-specific grant income identified the incorrect classification of amounts released from capital grants received in advance for revenue expenditure funded from capital under statute (REFCUS), resulting in an overstatement of taxation and non-specific grant income and understatement of grant income within the cost of services of £905k.

### Misstatements impacting classification in the Balance Sheet

- ▶ A balance owed to DWP was incorrectly presented as a reduction to debtors rather than as a creditor balance, resulting in an understatement of debtors and creditors of £1,550k.
- ▶ Our testing of the Capital Adjustment Account identified an overstatement of the use of the Capital Receipts Reserve to finance new capital expenditure, resulting in an overstatement of the Capital Adjustment Account and understatement of the Capital Receipts Reserve of £496k.

### Misstatements impacting disclosures (property, plant and equipment)

- ▶ Our agreement of the financial statements to the fixed asset register identified a misclassification of additions between categories of property, plant and equipment, resulting in an understatement of additions to assets under construction of £8,051k, an overstatement of additions to council dwellings of £5,226k and an overstatement of additions to housing land and buildings of £2,825k.

Our review of the financial statements identified an erroneous journal entry which had resulted in an overstatement of additions to other land and buildings and an understatement to assets under construction of £7,634k.





# Audit Differences

## Summary of adjusted audit differences (continued)

- ▶ Our agreement of the financial statements to the fixed asset register identified incorrect reclassification of ongoing assets under construction, resulting in an overstatement of council dwellings and understatement of assets under construction of £2,717k.
- ▶ During implementation of other adjustments, management identified that the acquisition of a group of properties had been incorrectly recorded as council dwellings when they are intended for redevelopment and should be classified as assets under construction. The resulting reclassification reduced council dwellings and increased assets under construction by £1,688k.
- ▶ Our testing of assets under construction identified a street lighting project which was completed prior to 31 March 2021 and should have been reclassified into operational assets, resulting in an overstatement of assets under construction and an understatement of infrastructure assets of £1,038k.
- ▶ Our agreement of the financial statements to the fixed asset register identified an incorrect presentation of changes in the valuation of the Council's allotments, resulting in an understatement of the gain on revaluation and an overstatement of impairment of £753k.
- ▶ Our testing of capital additions identified a presentational error in the treatment of an adjustment for costs funded by social housing tenants, resulting in a reduction in expenditure and increase in the gain on revaluation recognised in the surplus on provision of services of £237k.
- ▶ Our testing of council dwellings identified assets undergoing redevelopment which should have been reclassified to assets under construction, resulting in an overstatement of council dwellings and understatement of assets under construction of £176k.

## Misstatements impacting disclosures (other than property, plant and equipment)

- ▶ Our review of the composition of creditors identified a misclassification of unspent Covid grants as trade payables, resulting in an overstatement of trade payables and understatement of other payables of £29,590k.
- ▶ During the course of the audit, management identified a mismatching which had resulted in an overstatement of other payables and understatement of trade payables of £1,215k.
- ▶ Our testing of pension disclosures identified an understatement of benefits paid and the actuarial gain on remeasurement of £551k. This equally impacted both pension assets and pension liabilities, having no impact on the net liability.
- ▶ Several of the misstatements reported on previous pages involved the derecognition of assets. A consequential adjustment has been made to transfer the balances in the Revaluation Reserve in respect of these assets out of the Revaluation Reserve, resulting in a decrease to the Revaluation Reserve and increase to the Capital Adjustment Account of £397k.



# Audit Differences

## Summary of adjusted audit differences (continued)

### Misstatements impacting the group financial statements only

- ▶ Our testing of the consolidation of Northampton Partnership Homes (NPH) identified errors in the consolidation resulting in an overstatement of group debtors and group creditors by £2,661k.

## Comments on disclosures

During the course of the audit we have identified a number of disclosure errors and made a number of recommendations to management to improve the presentation of financial statements disclosures. The following are the most significant which we consider warrant the attention of the Audit and Governance Committee:

- ▶ The group balance sheet presented in the draft statements included the correct overall total for non-current assets, however individual balances for classes of assets incorrectly stated the prior year balances;
- ▶ The adjustments between accounting basis and funding basis presented within the Expenditure and Funding Analysis included misclassifications between directorates of £6,190k. The total value of adjustments was correct;
- ▶ The disclosure of the split of the Council's defined-benefit pension liabilities between funded and unfunded benefits overstated the unfunded liability and understated the funded liability by £10,057k. There was no impact on the total liability reported;
- ▶ The disclosure of the maturity profile of the Council's borrowings incorrectly allocated £9,141k of borrowings maturing between 1-2 years from the reporting date across the periods of 2-5 years and 5-10 years. The total amount of borrowings was correctly stated;
- ▶ We noted a number of inconsistencies and disclosure errors within financial instrument disclosures, arising primarily from inconsistent classification from the prior year as to which debtor and creditor balances should be regarded as financial instruments;
- ▶ Within the Narrative Statement, the disclosure of the Council's approved capital budget for 2020/21 was understated by £40.6m;
- ▶ The disclosure of external audit costs did not disclose the additional fees requested following conclusion of the 2019/20 audit.



## Audit Differences

---

### Other matters

During our testing of the gain or loss on disposal of assets, we identified sale proceeds of £425k for which the underlying asset was not recorded in the Council's register of fixed assets. This is indicative of an omission from prior year financial statements, however as the asset was disposed of during the current year it is correctly excluded from the Balance Sheet at 31 March 2021. As no asset was recorded, the full sale proceeds have been recorded in the current year as a gain on disposal.



**05**

**Value for Money**



# Value for Money

## The Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

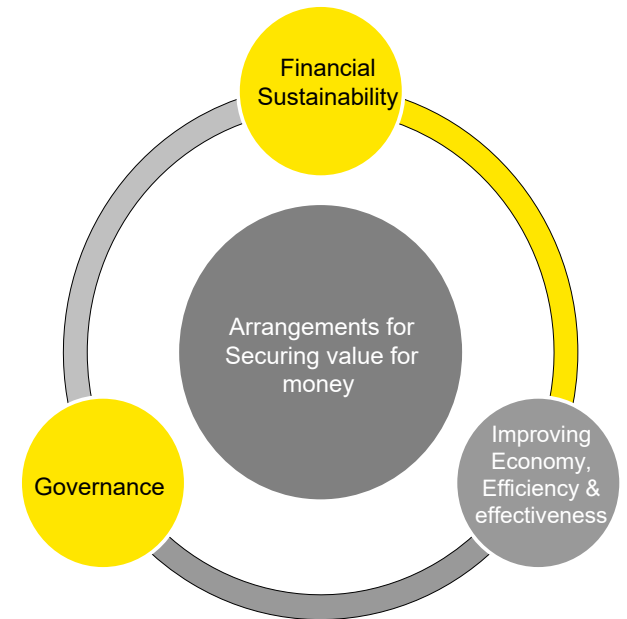
## Risk assessment

We have previously reported to the Committee the outcome of our risk assessment of the risk of significant weakness in the Council's VFM arrangements - that we had identified two significant risks in relation to the deterioration of the internal control environment and the implementation of the Governance Action Plan.

We have revisited our risk assessment and have not identified any additional risks.

## Status of our VFM work

We have completed our planned procedures and have determined that there is a significant weakness in the Council's arrangements to secure value for money. As a result we have reported by exception details of the significant weaknesses in the auditor's report (see section 3). We plan to issue our value for money commentary as part of issuing the Auditor's Annual Report.





# Value for Money

## Responding to a risk of significant weakness in VFM arrangements

What is the risk of significant weakness?	What arrangements did this impact?	What did we do?
<p><b>Deterioration of the Internal Control Environment</b></p> <p>In their Annual Report and Annual Statement of Assurance, the council's internal auditor concluded that they were only able to issue a limited opinion over the council's arrangements for governance, risk and control during 2020-21. This was a decrease from the moderate assurance concluded for 2019-20.</p> <p>In addition, internal audit highlighted in their Annual Report and Annual Statement of Assurance a theme across a number of their reviews of the Council 'not having effective arrangements to oversee performance and see through actions' and concluded that 'some fundamental elements of governance and oversight were not operating effectively'.</p>	<p>Governance</p>	<ul style="list-style-type: none"> <li>• Made enquiries of the council's internal auditor prior to the demise of the Council to understand further the background and context to internal audit's reported findings;</li> <li>• Made enquiries of management, to the extent possible given the demise of the council, as to management's understanding of any changes in the control environment during 2020/21;</li> <li>• Evaluated whether our observations from the above indicated that a material weakness in arrangements was present during 2020/21.</li> </ul>

### Findings

The Council's internal auditor has raised some significant concerns about both the design and the effectiveness of the Council's internal controls, with 4 of the 9 (44%) reports issued during 2020/21 unable to offer more than limited assurance over the design of controls and 5 of the 9 (56%) reports unable to offer more than limited assurance over the effectiveness of controls. Whilst management opted to focus internal audit's work on higher risk areas during 2020/21, these findings nevertheless led the Council's internal auditor to conclude *"there are key themes from our work which raise concern about the effectiveness of governance and oversight, particularly in relation to contract and project management"*.

It was also noted by the Council's internal auditor that management's response to the findings of internal audit was not always robust, observing *"there have been instances of long delays in management responding to reports and some management responses that have not provided confidence that the issue would be addressed"*.

It has been acknowledged by both management and internal audit that the competing pressures on management of managing the Council and preparing for the transfer of functions to the successor West Northamptonshire Council at the end of 2020/21 was a factor in the deterioration of the internal control environment during 2020/21. We are therefore unable to conclude that the Council had proper arrangements in place to secure value for money.

### Recommendation(s)

We recommend that management of the successor body, West Northamptonshire Council, undertake a review of the outstanding internal audit recommendations at the date the functions of Northampton Borough Council transferred to West Northamptonshire Council and ensure that the underlying weaknesses in the design and operation of internal controls were either not migrated to the successor body or have been satisfactorily addressed since the transfer of functions.

Page 32



# Value for Money

## Responding to a risk of significant weakness in VFM arrangements

What is the risk of significant weakness?	What arrangements did this impact?	What did we do?
<p><b>Implementation of the Governance Action Plan</b></p> <p>In December 2016, the Council established a Governance Action Plan to address weaknesses in Council processes identified by investigations into the awarding of the loan to Northampton Town Football Club.</p> <p>Management adopted a less formal approach to addressing the remaining actions and formally closed the Governance Action Plan in September 2018 with several actions either outstanding or implemented in a manner which we were unable to conclude as embedded within the organisation.</p> <p>Our value for money opinion was qualified in 2019/20 as we were unable to conclude that the necessary improvements in governance and internal controls were fully embedded throughout the year ended 31 March 2020.</p>	<p>Governance</p>	<p>Our work over this risk during the 2018/19 and 2019/20 audits also covered the period to 31 March 2021, where we noted there was limited additional progress during 2020/21.</p> <p>Our approach therefore focused on:</p> <ul style="list-style-type: none"> <li>• Confirming our understanding of the actions taken by management during 2020/21; and</li> <li>• Evaluating whether our observations indicate that a material weakness in arrangements was present during 2020/21.</li> </ul>

### Findings

We have confirmed through enquiries of management that steps taken by the Council during 2020/21 continued to be of a less formal nature. We also noted:

- The development of a due diligence manual, which was initially paused pending a wider review of the Council's constitution which concluded in November 2018, was not completed prior to the dissolution of the Council in March 2021; and
- The scope of the 'Licence to Practice Organisational Development and Training Plan' was amended to reflect management's updated assessment of the training needs of members and officers, however it remained under development when the Council was dissolved on 31 March 2021.

We are therefore unable to conclude that the Council had proper arrangements in place to secure value for money.

### Recommendation(s)

We recommend that management of the successor body, West Northamptonshire Council, perform a review of the unresolved actions from the Governance Action Plan and consider the extent to which arrangements within the successor body may contain the same weaknesses. Where weaknesses are identified in the successor body, an improvement plan should be developed to address these.



## 06 Other reporting issues



# Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2020/21 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2020/21 and published with the financial statements is consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

### Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

The Council is below the size threshold at which the National Audit Office (NAO), as the auditor of the whole of government accounts, requires us to perform detailed audit procedures over the Council's whole of government accounts submission. Until confirmed otherwise, it does however remain a possibility that the NAO may request the auditors of bodies below the size threshold to undertake additional procedures on a by-exception basis. As at the date of this report, we have not received confirmation that procedures will not be requested in respect of Northampton Borough Council. Until we receive this confirmation, we are unable to issue our audit certificate.

## Other reporting issues

# Other reporting issues

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We note that a public interest report in respect of the loan to Northampton Town Football Club, from which the Governance Action Plan considered in Section 5 of our report arose, was published on 27 January 2021 by KPMG, the predecessor appointed auditors.

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of Northampton Borough Council's financial reporting processes. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have no matters to report.



07

# Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control. We consider the deterioration in internal controls during 2020/21 to be a significant deficiency in internal control and provide further details on this within section 5 of our report.

Due to the subsequent demise of the Council, we have not raised formal recommendations in respect of our other control observations however we wish to highlight the following matters which may be of interest to management of the successor West Northamptonshire Council:

- As described in sections 2 and 4, we noted material assets held at 31 March 2021 as assets under construction which had actually been completed prior to 31 March 2021. We would therefore encourage management of the successor body to consider the controls in place to identify when assets under construction are completed and to ensure that they are appropriately reclassified and accounted for at that point.
- As also described in sections 2 and 4, we noted a particularly large number of audit differences arising in relation to the valuation of land and buildings. A common theme to these audit differences was inaccurate information on the asset being provided to the Council's external valuer, and in some cases inaccurate information being held by the Council itself. We also noted during the testing of these assets that there has been a significant loss of corporate knowledge of the Council's assets following the Council's demise. We therefore encourage management of the successor body to ensure that they have a full understanding of the nature and use of the assets inherited from the Council.
- We have previously reported that the percentages used to determine the recharge of central costs to the HRA had not been reviewed for some years. For 2020/21, we note that recharges have been set at the same monetary level as in 2019/20 rather than applying a percentage to the expenditure incurred in 2020/21. We therefore encourage management of the successor body to ensure that it has a clear and consistent basis for the determination of recharges to the HRA.



# 08 Independence

## Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your company, and its directors and senior management and its affiliates, including all services provided by us and our network to your company, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats. There are no relationships from 1<sup>st</sup> April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

### Services provided by Ernst & Young

The following slide includes a summary of the fees that you have paid to us in the year ended 31<sup>st</sup> March 21 in line with the disclosures set out in FRC Ethical Standard and in statute. We confirm that none of the services listed below has been provided on a contingent fee basis. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

### EY Transparency Report 2022

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this report is available on our website:

[https://www.ey.com/en\\_uk/about-us/transparency-report](https://www.ey.com/en_uk/about-us/transparency-report)

## Confirmation and analysis of audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Planning Report presented on 10 November 2021.

We complied with the Auditing Practices Board (APB) Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that management and the Audit and Governance Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit and Governance Committee on 28 April 2022.

We confirm we have not undertaken non-audit work outside of the Statement of Responsibilities of Auditors and Audited Bodies as issued by the Public Sector Audit Appointments Ltd.

As part of our reporting on our independence, we set out below a summary of the fees for the year ended 31 March 2021.

Description	Final fee 2020/21 £	Scale Fee 2020/21 £	Final Fee 2019/20 £
Base scale fee	62,197	62,197	62,197
Increase for changes in risk and regulatory environment [notes 1,3]	93,346	-	93,346
<b>Revised Base Fee</b>	<b>155,543</b>	<b>62,197</b>	<b>155,543</b>
Additional audit fee for response to specific audit findings [notes 2,3,4]	TBC	-	150,457
<b>Total Audit Fee</b>	<b>TBC</b>	<b>62,197</b>	<b>306,000</b>
Non-audit services	-	-	-
<b>Total Fees</b>	<b>TBC</b>	<b>62,197</b>	<b>306,000</b>

*Notes on following page*

---

## Confirmation and analysis of audit fees

### **Note 1 - Scale Fee Variation**

*We wrote to management and the Northampton Borough Council Audit Committee Chair on 10 February 2020 setting out our considerations on the sustainability of UK local public audit. Parliamentary select committee reports, the Brydon and Kingman reviews, plus within the public sector the Redmond review and the new NAO Code of Audit practice, are all shaping the future of local audit. These regulatory pressures all have a focus on audit quality and what is required of external auditors. In continuing to respond to these factors we are required to seek higher levels of corroborative evidence, including increasing sample sizes and engage with our internal specialists more extensively and on a wider array of matters. Additionally, we need to continue to increase our investment in data analytics tools to allow us to test more transactions to a greater level of detail and enhance audit quality. To support the increasing regulatory focus, we have to continue to invest in our audit quality infrastructure; for example our compliance costs have doubled over the past five years.*

### **Note 2 - Additional audit fee for response to specific audit findings**

Where we identified significant risks and other areas of audit focus as part of our 2019/20 audit, as reported to the Audit and Governance Committee, we undertook additional procedures to obtain the appropriate levels of evidence to support our opinion. In addition, we have encountered challenges completing our planned procedures due to the availability of supporting evidence and the limited number of individuals remaining within the Council with knowledge of balances and transactions, which has increased the amount of audit effort required to complete our procedures. This work was over and above that assumed in the scale fee.

### **Note 3 - Agreement of audit fee (2019/20)**

We have held discussions with management in respect of our audit fees for 2019/20 and submitted our proposal to Public Sector Audit Appointments (PSAA), who will make a final determination as required under the terms of our appointment.

### **Note 4 - Agreement of audit fee (2020/21)**

We will seek to agree our final audit fee for our 2020/21 audit with management following completion of our audit. As highlighted within this report, we have encountered significant difficulty in the execution of our audit and had to respond to a high number of audit differences. This significant additional audit effort will be reflected in our final fee proposal. Further work is required to analyse the costs incurred in delivering our audit, however we currently anticipate the additional fees commensurate with the effort required to be in the range £150,000 to £180,000.





# 09 Appendices

## Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from prior year audit.




Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- ▶ Existence: An asset, liability and equity interest exists at a given date;
- ▶ Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date;
- ▶ Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items;
- ▶ Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded; and
- ▶ Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework.

We have tested each of these assertions substantively for all material balances included in the Balance Sheet.

## Appendix B

# Summary of communications

Date 	Nature 	Summary 
10/11/2021	Report	The audit team presented our Audit Planning Report, including confirmation of our independence, to the Audit and Governance Committee.
26/01/2022	Report	The audit team presented our Annual Audit Letter for our 2019/20 audit to the Audit and Governance Committee.
03/02/2022	Instructions	The audit team sent the group audit instructions to Mazars, as the external auditor for the Council's subsidiary Northampton Partnership Homes.
28/04/2022	Report	The audit team presented our provisional Audit Results Report, including confirmation of our independence, to the Audit and Governance Committee.
Various	Verbal Update	The audit team has provided an update on the status of our audit at each meeting of the Audit and Governance Committee between April 2022 and June 2023.
14/06/2023	Report	The audit team will present our final Audit Results Report, including confirmation of our independence, to the Audit and Governance Committee.





In addition to the above specific meetings and reports, the audit team have met weekly with the financial statement closedown team throughout the audit period to discuss the arrangements for the 2020/21 audit, emerging findings, completion of our audit procedures and the status of our audit. We have also held ad-hoc meetings on specific audit matters, as required. Management of West Northamptonshire Council also attended these calls on occasion.

Prior to the dissolution of Northampton Borough Council on 31 March 2021, we also met with senior management of the Council to discuss the key issues known to be relevant to our 2020/21 audit, including the Council's implementation of the Governance Action Plan. Written enquiries were also made of senior management and the Northampton Borough Council Audit Committee at the end of March 2021 into matters relevant to our 2020/21 audit.


## Appendix C



# Required communications with the Audit and Governance Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Planning Report (November 2021)
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;</li> <li>▶ Significant difficulties, if any, encountered during the audit;</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management;</li> <li>▶ Written representations that we are seeking;</li> <li>▶ Expected modifications to the audit report; and</li> <li>▶ Other matters, if any, significant to the oversight of the financial reporting process.</li> </ul>	Audit Results Report (this report)
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> <li>▶ Non-disclosure by management;</li> <li>▶ Inappropriate authorisation and approval of transactions;</li> <li>▶ Disagreement over disclosures;</li> <li>▶ Non-compliance with laws and regulations; and</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit Results Report (this report)





# Required communications with the Audit and Governance Committee

 Our Reporting to you

Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether events of conditions constitute a material uncertainty related to going concern;</li> <li>▶ Whether the use of the going concern assumption is appropriate in preparation and presentation of the financial statements;</li> <li>▶ The appropriateness of related party disclosures in the financial statements.</li> </ul>	Audit Results Report (this report)
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation;</li> <li>▶ The effect of uncorrected misstatements related to prior periods;</li> <li>▶ A request that any uncorrected misstatement be corrected;</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report (this report)
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity;</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist;</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:                             <ul style="list-style-type: none"> <li>• Management;</li> <li>• Employees who have significant roles in internal control; or</li> <li>• Others where the fraud results in a material misstatement in the financial statements;</li> </ul> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected.</li> <li>▶ Any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	Audit Results Report (this report)





## Appendix C

# Required communications with the Audit and Governance Committee

			 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	  <b>When and where</b>	
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats;</li> <li>▶ Safeguards adopted and their effectiveness;</li> <li>▶ An overall assessment of threats and safeguards; and</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence;</li> </ul> <p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Planning Report (November 2021); and</p> <p>Audit Results Report (this report)</p>	
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations; and</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	<p>Audit Results Report (this report)</p>	
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	<p>Audit Results Report (this report)</p>	
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	<p>Audit Results Report (this report)</p>	
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	<p>Audit Results Report (this report)</p>	

## Appendix C

# Required communications with the Audit and Governance Committee

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Group Audits	<ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components;</li> <li>▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components;</li> <li>▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work;</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted;</li> <li>▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.</li> </ul>	<p>Audit Planning Report (November 2021); and</p> <p>Audit Results Report (this report)</p>
Written representations we are requesting from management and/or those charged with governance	Written representations we are requesting from management and/or those charged with governance	Audit Results Report (this report)
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	Audit Results Report (this report)
Auditors report	Any circumstances identified that affect the form and content of our auditor's report.	Audit Results Report (this report)
Auditors annual report	Due to demised nature of the body, we are required to report exceptions within the VFM arrangements identified during the course of our audit, rather than a full commentary on the arrangements in place at the Council during 2020/21.	Auditors Annual Report (within 3 months after providing the financial statements opinion)

# Management representation letter

We include below a copy the management representation letter which we request is printed on the Council's letterheaded paper, signed and provided to us prior to us signing our audit report. This letter should be dated with the same date as the date of approval of the financial statements.

## Management Representation Letter

[Date]

Ernst & Young  
400 Capability Green  
Luton  
LU1 3LU

Dear Sirs,

This letter of representations is provided in connection with your audit of the consolidated and Authority financial statements of Northampton Borough Council ("the Group and Authority") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Authority financial statements give a true and fair view of the Group and Authority financial position of Northampton Borough Council as of 31 March 2021 and of its financial performance and its cash flows for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of our consolidated and Authority financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We acknowledge, as members of management of the Group and Authority, our responsibility for the fair presentation of the consolidated and Authority financial statements. We believe the consolidated and Authority financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Group and Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. We have approved the consolidated and Authority financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Authority financial statements are appropriately described in the Group and Authority financial statements.
4. As members of management of the Group and Authority, we believe that the Group and Authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 that are free from material misstatement, whether due to fraud or error.



# Management representation letter (continued)

## Management Representation Letter (continued)

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and Authority financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because *[management to specify reasons for not correcting misstatement]*.

6. We confirm the Group and Authority does not have securities (debt or equity) listed on a recognised exchange.

### B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the consolidated and Authority financial statements may be materially misstated as a result of fraud.

4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Group or Authority (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:

- ▶ involving financial statements;
- ▶ related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Authority's financial statements;

- ▶ related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Authority's activities, its ability to continue to operate, or to avoid material penalties;
- ▶ involving management, or employees who have significant roles in internal controls, or others; or
- ▶ in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- ▶ Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- ▶ Additional information that you have requested from us for the purpose of the audit; and
- ▶ Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and Authority financial statements, including those related to the Covid-19 pandemic.

3. We have made available to you all minutes of the meetings of the Council and committees, including the Audit Committee, held prior to the demise of the Council on 31 March 2021. We have made available to you all minutes of the meetings of the Council and committees, including the Audit and Governance Committee, of the West Northamptonshire Council, as the successor body held from 1 April 2021 to 23 March 2023.

## Management representation letter (continued)

### Management Representation Letter (continued)

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and Authority financial statements.

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

6. We have disclosed to you, and the Group and Authority has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From 25 November 2021 through the date of this letter we have disclosed to you any unauthorised access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorised access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

#### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and Authority financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in the consolidated and Authority financial statements all guarantees that we have given to third parties.

#### E. Going Concern

1. Note 1A to the consolidated and parent entity financial statements discloses all the matters of which we are aware that are relevant to the Group and Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

#### F. Subsequent Events

1. Other than the transfer of the Authority's functions, services, assets and liabilities to West Northamptonshire Council described in Note 1Bv to the consolidated and Authority financial statements, there have been no events, including events related to the Covid-19 pandemic and events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to year end which require adjustment of or disclosure in the consolidated and Authority financial statements or notes thereto.

#### G. Group Audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group's subsidiaries because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.

2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst the Authority and subsidiary undertakings.

# Management representation letter (continued)

## Management Representation Letter (continued)

### H. Other Information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

### I. Ownership of Assets

1. The Group and Authority has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Group and Authority's assets, nor has any asset been pledged as collateral. All assets to which the Group and Authority has satisfactory title appear in the balance sheets.

### J. Reserves

1. We have properly recorded or disclosed in the consolidated and Authority financial statements the useable and unusable reserves.

### K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of non-current assets and defined-benefit pension liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Authority financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

### L. Valuation of Non-Current Assets

1. We confirm that the significant judgments made in determining the valuation of non-current assets have taken into account all relevant information, including the effects of the Covid-19 pandemic on real estate valuations, of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in determining the valuation of non-current assets.
3. We confirm that the significant assumptions used in determining the valuation of non-current assets appropriately reflect our intent and ability to carry out the Authority's plans on behalf of the entity.
4. We confirm that the disclosures made in the consolidated and parent entity financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the Covid-19 pandemic on real estate valuations, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
5. We confirm that appropriate specialized skills or expertise has been applied in determining the valuation of non-current assets.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and parent entity financial statements, including due to the Covid-19 pandemic.

### M. Retirement Benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

# Management representation letter (continued)

## Management Representation Letter (continued)

### N. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the financial statements.

2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, aligned with the statements we have made in the other information or other public communications made by us (see section H).

Yours faithfully,

---

Martin Henry, Executive Director of Finance (West Northamptonshire Council)

---

Cecile Irving-Swift, Chair of the Audit and Governance Committee (West Northamptonshire Council)

### Schedule of Unadjusted Audit Differences

#### *Known Differences*

- ▶ The aggregate impact of misstatements identified in the testing of PPE balances which remain uncorrected is an understatement of PPE of £676k, an understatement of the gain to the CIES of £394k and an understatement of the gain to the revaluation reserve of £282k;
- ▶ The NNDR appeals provision is overstated by £1,431k within the Collection Fund as the recorded amount differs from the amount calculated by the Council. The NNDR appeals provision within the Council's financial statements is overstated by £572k as the Council's share of the misstatement of the overall provision; and
- ▶ The gross cost and accumulated depreciation and impairment of community assets are overstated by £236k due to the incorrect recording of revaluations during the year, with no impact on the net balance.

#### *Projected Differences*

- ▶ The estimated impact of misstatements noted in the testing of investment property is an understatement of investment property and the gain on revaluation of £586k;
- ▶ The estimated impact of incorrect capitalisation noted during the testing of additions to PPE is an overstatement of PPE and an understatement of expenditure of £571k;
- ▶ The estimated impact of misstatements noted in the testing of housing land and buildings is an overstatement of housing land and buildings assets and an understatement of revaluation losses charged to the CIES of £406k; and
- ▶ The estimated impact of cut-off errors identified in the testing of expenditure is an overstatement of expenditure in the current year of £395k, an understatement of expenditure in the prior year of £212k and an overstatement of accruals of £183k.

## EY | Assurance | Tax | Transactions | Advisory

### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](https://www.ey.com).

© 2023 EYGM Limited.  
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

[ey.com](https://www.ey.com)

This page is intentionally left blank

**WEST NORTHAMPTONSHIRE COUNCIL  
AUDIT & GOVERNANCE COMMITTEE  
26 July 2023**

Report Title	Work Programme
--------------	----------------

**1. Purpose**

---

1.1. The purpose of this report is to provide an updated work programme for consideration by the Committee

**2. Recommendations**

---

2.1. It is recommended that the Committee considers and approves the work programme.

**3. Issues and Choices**

---

**Information**

3.1 Attached at Appendix A is an updated work programme for the Committee.

3.2 The work programme will evolve over time and the Committee is requested to consider the attached programme and highlight any other areas where they may wish to receive further reports.

**4. Implications (including financial implications)**

---

**4.1. Policy**

4.1.1. There are no significant policy implications associated with this report.

**4.2. Resources and Risk**

4.2.1. There are no financial and risk implications associated directly with this report.

**4.3. Legal**

4.3.1. There are no specific legal risks associated with this report.

**4.4. Equality and Health**

4.4.1. There are no specific equality and health issues associated with this report.

**Report Author: Martin Henry  
Executive Director – Finance  
S151 Officer**

This page is intentionally left blank



Work Programme

	26 July 2023	27 September 2023	21 November 2023	24 January 2024	27 March 2024
Minutes from the previous meeting	X	X	X	X	X
Pensions Accounts and Annual report	X				
Grant Thornton Audit Plan for Northamptonshire Pension Fund 2022-23	X				
Internal Audit Plan 2024-25					X
Internal Audit Annual Report 2022-23	X				
Internal Audit Progress report	X	X	X	X	X
Annual Governance Statement 2022-23	X				
External Audit Progress report (Grant Thornton)	X	X	X	X	X
Annual Results Report (NBC) 2020-21 (Ernst Young)	X				
Update on Governance	X	X	X	X	X
Update on Budget Setting and Revenue and Capital Medium Term Capital Programme	X	X	X	X	X
Update on Workforce Skills and Capacity		X			
Review of Committee Work programme	X	X	X	X	X

This page is intentionally left blank