



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 Tuesday 21 November 2023 at 6.00 pm

Agenda

1.	Apologies for Absence and Notification of Substitute Members
2.	Declarations of Interest Members are asked to declare any interest and the nature of that interest which they may have in any of the items under consideration at this meeting.
3.	Minutes (Pages 7 - 14) To confirm the Minutes of the meeting of the Committee held on 26 July 2023.
4.	Chair's Announcements To receive communications from the Chair.
5.	Urgent Business The Chair to advise whether they have agreed to any items of urgent business being admitted to the agenda.
6.	Update on Workforce Skills and Capacity To provide the Committee with a presentation on Workforce Skills and Capacity.
7.	Northamptonshire Pension Fund Final Audit Results Report 2020-21 (Pages 15 - 62) To provide the Committee with the Final Audit Results report for Northamptonshire Pension Fund

8.	Pension Fund Annual Report and Statement of Accounts 2022-23 (Pages 63 - 260) To receive the Pension Fund Annual Report and Statement of Accounts for 2022-23
9.	Internal Audit Progress Report (Pages 261 - 274) To provide the Committee with the Final Audit Results report for Northamptonshire Pension Fund
10.	Update on Financial Statements (Pages 275 - 280) To receive an update on the Statement of Accounts for West Northants Council
11.	Northamptonshire County Council 2020-21 - Final Audit Results Report (Pages 281 - 340) To receive the final audit results report for Northamptonshire County Council's accounts for 2020-21
12.	External Audit Progress Report (Ernst & Young) To receive a verbal update from Ernst and Young
13.	External Audit Progress Report (Grant Thornton) To receive a verbal update from Grant Thornton
14.	Update on Governance The committee to receive a verbal update on Governance issues.
15.	Verbal Update on Budget Setting To receive a verbal update on the budget setting process.
16.	Review of Committee Work Programme (Pages 341 - 344) To review and note the Committee Work Programme.
17.	Exclusion of the Press and Public The following report(s) contain exempt information as defined in the following paragraph(s) of Part 1, Schedule 12A of Local Government Act 1972.

Members are reminded that whilst the following item(s) have been marked as exempt, it is for the meeting to decide whether or not to consider each of them in private or in public. In making the decision, members should balance the interests of individuals or the Council itself in having access to the information. In considering their discretion members should also be mindful of the advice of Council Officers.

Should Members decide not to make a decision in public, they are recommended to resolve as follows:

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

Catherine Whitehead
Proper Officer
13 November 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

Information about this Agenda

Apologies for Absence

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

Declarations of Interest

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

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

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

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Queries Regarding this Agenda

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

Tel: 07391411365

Email: democraticservices@westnorthants.gov.uk

Or by writing to:

West Northamptonshire Council
The Guildhall
St Giles Street
Northampton
NN1 1DE



Audit and Governance Committee

Minutes of a meeting of the Audit and Governance Committee held at the Jeffrey Room, the Guildhall, Northampton, NN1 1DE on Wednesday 26 July 2023 at 6.00 pm.

Present:

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

Apologies for Absence:

Councillor Charles Manners
 Councillor Alan Chantler

Officers:

Martin Henry, Executive Director - Finance (Section 151 Officer)
 Audra Statham, Assistant Director - Finance (Accountancy)
 Jen Morris, Head of Audit and Risk Management
 Sarah Hall, Deputy Monitoring Officer
 Scott Peasland, Audit Manager
 Fiona Coates, Pensions Service Financial Manager
 Maisie McInnes, Democratic Services Officer

Paul Harvey, Grant Thornton (GT) – Remote
 William Howard, Grant Thornton (GT) – Remote
 Mark Rutter, Ernst Young (EY) – Remote

140. **Declarations of Interest**

There were no declarations of interest.

141. **Minutes**

The minutes of the previous meeting held on 14 June 2023 were agreed and signed by the Chair as a true record of the meeting.

142. **Chair's Announcements**

The Chair welcomed everyone to the meeting and explained the meeting process to the members of public in attendance. The Chair thanked the Leader of the Council for attending to present the Annual Governance Statement 2022-23.

The Executive Director of Finance explained the private reports had been moved into the public session for consideration with redacted information.

The Chair shared that the Head of Audit and Risk Management was leaving the Council and it would be her last Audit and Governance meeting. The Chair and Executive Director of Finance both sincerely thanked the Head of Audit and Risk Management for her hard work moving Internal Audit in the right direction and strengthening controls in the audit work.

The Executive Director of Finance added that it was a disappointing loss for the authority and shared that the job advertisement had been out to recruit for the role and interviews were taking place in the next week for two potential candidates. Following the interview stage, the successful candidate would be communicated at the next meeting.

143. **Pensions Accounts and Annual Report**

The Executive Director of Finance introduced the draft report and explained that once the accounts had been finalised the Audit and Governance committee would receive the final report for comments and approval for sign off. The draft report had also been to Pensions Fund Committee for consideration at their meeting on 24 July 2023.

The Pension Services Financial Manager added that the auditors had received the report and were currently going through the audit process. She concluded her report and invited members to ask any questions.

Members asked how the Northamptonshire pension fund compared to that of other authorities. The Pension Services Financial Manager demonstrated the investment policy and performance data which reflected the fund's performance against the local authority average. Members also noted a typographical error in the Chairperson's Foreword regarding the abbreviation for billion.

Members asked for assurance on the investment with Bluebay and asked for an explanation regarding the cash movement with custodian. The Pension Services Financial Manager explained that the movement was due to cash being held in a Northern Trust account which had been invested which explained the reduced cash flow. The Executive Director of Finance responded to the concern with Bluebay and assured members that the Investment sub-committee had governance of the fund's investment partners.

RESOLVED: That the Audit and Governance Committee noted the Draft Annual Report and Draft Statement of Accounts of the Pension Fund for the 2022-23 financial year.

144. **Grant Thornton Audit Plan for Northamptonshire Pension Fund 2022-23**

At the Chair's invitation, William Howard Grant Thornton, delivered a presentation to the committee and highlighted the key points contained in the Audit Plan:

- The Audit had been started in July and an estimated completion would take place in September. Good progress was being made with the audit process.
- Materiality had been determined based on a proportion of the estimated gross assets of £48.1m as at 31 March 2023 which was calculated during the planning stages of the audit.
- There had been a change in the materiality approach to an increased focus on non-investment related transactions.
- The introduction of the ISA 315 (International Standard on Auditing) changes had led to enhanced requirements and understanding of the pension fund's governance and IT environment.

Members discussed the report, and the Chair thanked the Pensions team and Grant Thornton for their hard work. The Chair reported she was pleased to see the audit fees were noted in the report.

RESOLVED: That the Audit and Governance committee noted the External Audit Plan 2022-23 for the Northamptonshire Pension Fund and the presentation by Grant Thornton.

145. **Internal Audit Annual Report 2022-23**

The Head of Audit and Risk Management introduced the report and highlighted the salient points:

- Overall, a satisfactory assurance had been awarded in respect of the areas reviewed during the year and this reflected the weaknesses in the Council's control environment. With the reorganisation of the Council, this was not unusual with the background of staff adjusting to new ways of working and harmonisation.
- The team were making good progress with the audits, and there were a couple of audits due to be completed in the next few weeks. If there were delays with the audits, these would be moved to next year's audit plan.
- Section 2.3 highlighted the key themes of the audit and areas which needed strengthening which were around policies and procedures, roles and responsibilities, and alignment of services. There was a lack of clarity with who was responsible for what work, particularly with frontline staff and a need for management actions agreed to be followed up and completed.
- The Internal Audit Monitoring table detailed a breakdown of actions and highlights from the main themes of the audit work.
- The Audit Action Tracker was monitored by the Governance and Risk Manager who held monthly meetings with managers. The Head of Audit and Risk Management gave assurance that she had no concern with the action tracker.
- In terms of fraud, there was active work in the team looking at housing, council tax and business rates to name a few areas of where this work was targeted. There was information sharing with Cambridgeshire relating to fraudulent activity with Adult Social Care and the use of blue badges, and the importance of whistleblowing.

Members asked a question surrounding the use of applying Artificial Intelligence (AI) to audit work. The Head of Audit and Risk Management responded that the team were looking at ways they could apply AI effectively through using data analytics to analyse group data in core financial systems to look at exception testing and full population data testing and provided a potential example relating to staff pay. She expressed the danger of an overreliance on AI and how this could be strengthened with data samples and assessing the points of risk, the need to look at what had changed and quantum data.

Members asked for assurance regarding the 64 outstanding manager actions. The Head of Audit and Risk Management shared that this related to the way audit reported actions and the Governance and Risk Manager was closely monitoring this area.

The Chair thanked the Head of Audit and Risk Management for her hard work and presenting the report.

RESOLVED: That the committee accepted the Assurance Opinion.

146. **Internal Audit Progress Report**

The Head of Audit and Risk Management delivered the update on work delivered by the Internal Audit team up to 30 June 2023. She explained the Audit and Governance committee had moved away from an annual update to a quarterly update and she was pleased to report the 2023-24 Internal Audit Plan was approved at the committee meeting on 14 June 2023 and audits had already started. An audit relating to Corporate Health and Safety had been added as follow up to the limited assurance rating.

RESOLVED: That the Committee noted the review and endorsed the audit position.

147. **Annual Governance Statement 2022-23**

The Leader of the Council delivered a presentation on the draft Annual Governance Statement 2022-23. The Leader explained that the report was seeking Audit and Governance committee endorsement as responsible for the Council's governance, risk management and financial performance. He shared that he worked closely with the Chair of the Audit and Governance committee stressed the importance of governance and risk management.

In his presentation, the Leader highlighted the following key aspects of governance:

- The Leader explained the Council's Local code of Corporate Governance and the seven principles that underpin this as contained in the report. He shared the council were making continual improvements and there were robust controls in place, with decision-making oversight of Cabinet members and the Senior leadership team.
- He explained the governance policies in place outlining the relationship between officers and members in the respective code of conducts, as well as

the constitution, the Cabinet forward plan, the publication of decisions, and policies surrounding the decision-making process and scheme of delegation.

- There were opportunities for employees to raise concerns in monthly 1-1 meetings, surveys and as part of whistleblowing which could be raised with management or anonymously through an independent body.
- He stressed the significance of member induction where he personally spent time with each new member of staff with colleagues from the senior leadership team, and the visibility of senior leadership colleagues with regular coffee and chat sessions.
- There was an extensive training programme available to officers and members, and a commitment to ongoing training.

The Leader thanked the committee and took the opportunity to thank the Head of Audit and Risk Management for all of her work and wished her the best for the future.

Members discussed the importance of governance, and the Head of Audit and Risk Management commended the collaborative process of the Annual Governance Statement. The Deputy Monitoring Officer echoed the joint approach and extensive level of detail in demonstrating governance and culture change of the council.

Members asked for information on the number of whistleblowing cases. The Head of Audit and Risk Management agreed to liaise with HR and provide the number of cases outside of the committee meeting.

The Executive Director of Finance referred to the substantial debt recovery work that been undertaken as a result of inheriting debt and officers had been recruited to work on a project retrieving debt and information on the project work would be brought to committee at a future meeting.

Members asked a question relating to the alignment of IT systems and the Head of Audit and Risk Management shared that the DTI board could be approached for a response on this and explained that compared to other unitary authorities the council was making good progress. The Executive Director of Finance added that there was a desktop refresh strategy and there was IT equipment that had been prioritised for replacement. In terms of systems, with the amount that had been inherited and the scale of the systems required there was a project running in this area and the income management system which handled council revenues and benefits had been prioritised. The Assistant Director of Finance highlighted that the revenue and benefits system could not be harmonised until the council tax harmonisation had taken place and processes were being followed to prevent disruption to services.

The Leader thanked everyone for their comments and expressed that the council was still on an improvement journey with the Unitarisation of the council bringing the four former authorities together with their different experiences and cultures.

RESOLVED: That the Committee endorsed the draft Annual Governance Statement.

148. **External Audit Progress Report (Grant Thornton)**

Paul Harvey, Grant Thornton (GT), presented the External Audit Progress report and gave assurance to the committee that they were making good progress and there were a number of concluded audits. The external auditors were awaiting some draft accounts and were planning to bring the audit plan to the next meeting in September 2023.

The Assistant Director of Finance shared that the first Statement of Accounts for WNC had been completed. The team had an excellent working relationship with GT and the legacy audits with EY were close to being concluded.

The Chair thanked GT for the update and suggested a member session with the Executive Director of Finance and the Assistant Director of Finance to go through the financial detail in the reports.

RESOLVED: That the Committee accepted the External Audit Progress Report from Grant Thornton.

149. **Annual Results Report (NBC) 2020-21 (Ernst Young)**

Mark Rutter, Ernst Young (EY), presented the audit report for NBC 2020-21 and explained the challenging nature of completing the audit due to the loss of corporate knowledge and transition to WNC.

In terms of fraud and error, there were a large number of errors but there was no evidence of fraud, and the errors were a result of record keeping. He explained the need for more understanding relating to the asset transfers that took place as part of the reorganisation of the council. He shared the areas of focus for financial controls and concluded his report.

Members asked whether the controls could be considered and if still relevant applied to WNC. The Executive Director of Finance shared that the contextual information related to the predecessor authority and those controls still relevant would be applied. He thanked EY for completing the monumental audit work and extended his thanks to the Assistant Director of Finance and the team.

RESOLVED: That the Committee considered the external Provisional Audit Results report and recommendations.

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

Mark Rutter, Ernst Young (EY), delivered a verbal update on the progress of the external audit and explained that progress had been made with the NCC audit and thanked the finance team for their hard work. He added that the external auditors were still awaiting information, and it was anticipated that this would be received soon so the accounts could be completed.

The Assistant Director of Finance emphasised both teams were working hard to sign off the NCC accounts and there were delays with receiving information from the

Children's Trust. The Assistant Director of Finance reminded members of the delegated decision to the Chair of the Audit and Governance committee and the Executive Director of Finance to approve the sign off of the accounts.

RESOLVED: That the Committee accepted the External Audit Progress Report from EY.

151. **Update on Governance**

The Deputy Monitoring Officer gave an update on governance and explained there were no RIPA (Regulation of Investigatory Powers 2000) requests and the governance working group was continuing its work to embed and extend understanding of good governance across the authority.

The Chair requested for governance training to be provided to the committee. The Deputy Monitoring Officer agreed to rerun the governance training previously delivered by the Monitoring Officer.

RESOLVED: That the committee:

- 1) **Is satisfied with the update on Governance**
- 2) **Agreed to training provided by the Deputy Monitoring Officer on the importance of governance**

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

The Executive Director of Finance presented the update on budget setting and capital medium term capital programme and explained that there were processes in place to ensure there was understanding of the pressures the council faced for 2024-25.

He shared that the opening position for 2024-25 in the medium term financial plan set out in the final budget papers for 2023-24 was an estimated deficit of £10m. However, he was already aware of significant pressures in this financial year relating to the Children's Trust which would add to this opening position. The Executive Director of Finance concluded that an update on the medium financial term plan would be provided at the next meeting and that budget star chambers meetings had already been set up and circulated in diaries.

The Chair thanked the Executive Director of Finance for the update.

RESOLVED: That the committee noted the update on budget setting and revenue and capital medium term capital programme.

153. **Review of Committee Work Programme**

The Executive Director presented the agenda item and invited members to consider their work programme.

The Head of Audit and Risk Management added Risk Management Update needed to be added to the work programme.

RESOLVED: That members accepted the work programme with the recommended additions and agreed to the addition of the Risk Management Update.

154. **Urgent Business**

There were no items of urgent business.

The meeting closed at 7.55 pm

Chair: _____

Date: _____



WEST NORTHAMPTONSHIRE COUNCIL AUDIT AND GOVERNANCE COMMITTEE

21 November 2023

Report Title Northamptonshire Local Government Pension Scheme Audit Results Report 2021-

Report Author Martin Henry – Executive Director, Finance
martin.henry@westnorthants.gov.uk

Contributors/Checkers/Approvers

West MO	Catherine Whitehead	13/11/2023
West S151	Martin Henry	13/11/2023
Other Director/SME (if applicable)		

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 Northamptonshire County Council (NCC) including the Northamptonshire Pension Fund accounts.
- 1.2. This report presents the Final Audit Results Report produced by Ernst & Young LLP (EY LLP) in relation to the Northamptonshire Local Government Pension Scheme for 2020-21.

2. Executive Summary

- 2.1 Ernst and Young LLP (EY LLP) were appointed as the County 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 Final 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 Final 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
 - 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.

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Northamptonshire Local
Government Pension
Scheme

Audit Results Report

Year ended 31 March 2021

14 November 2023

14 November 2023



Audit & Governance Committee

Northamptonshire Local Government Pension Scheme ("the Pension Fund")
West Northamptonshire Council
c/o One Angel Square
Angel Street
Northampton
NN1 1ED

Dear Audit & Governance Committee Members

We are pleased to attach our Audit Results Report, summarising the status of our audit for the forthcoming Committee meeting. This report summarises our audit conclusion in relation to the audit of Northamptonshire Pension Fund for 2020/21 and provides an update to our Provisional Audit Results Report presented to the Audit & Governance Committee meeting on the 27 September 2021.

We have substantially completed our audit of the Pension Fund for 2020/21 subject to the finalisation of our conclusion procedures.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the Pension Fund's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

This report is intended solely for the information and use of the Audit & Governance Committee, other members of the Pension Fund, and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit & Governance Committee meeting on the 21 November 2023.

Yours faithfully

Debbie Hanson

Debbie Hanson

Partner, For and on behalf of Ernst & Young LLP

Enc

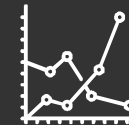
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04 Audit Differences



05 Other Reporting Issues

06 Assessment of Control Environment

07 Independence

08 Appendices

Public Sector Audit Appointments Ltd (PSAA) issued the "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/>). The 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 & Governance Committee and management of Northamptonshire Local Government Pension Scheme in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Committee and management of Northamptonshire Local Government Pension Scheme 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 & Governance Committee and the management of Northamptonshire Local Government Pension Scheme for this report or 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

Scope update

In our Audit Planning Report presented to the 28 July 2021 Audit & Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan and we have not made any revisions to the audit risks and planned audit procedures set out within the Audit Plan, with the following updates:

Auditing accounting estimates: A revised auditing standard has been issued for the audit of accounting estimates. The revised standard requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors now consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether or not there is a significant risk. The changes to the standard have affected the nature and extent of information requested and increased the level of audit work required.

Materiality: In our Audit Planning Report, we communicated that our audit procedures would be performed using a planning materiality of £30.77 million, with performance materiality of £23.08 million, which is 75% of planning materiality, and a threshold for reporting misstatements of £1.54 million. We calculated our planning materiality assessment using the draft accounts. We have not reassessed our materiality since then as there has been no significant changes in circumstances requiring us to update our materiality.

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the restrictions upon the audit team to verify original documents or re-run reports on-site from the Pension Fund's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agreed IPE to scanned documents or other system screenshots.



Executive Summary

Status of the audit

Our audit work in respect of the Pension Fund opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report:

- Conclusion of going concern disclosure consultation with EY's Professional Practice Department.
- Subsequent events review up to the date of our audit report;
- Final checks on the final set of financial statements; and
- Receipt of signed management representation letter and accounts.

Subject to satisfactory completion of the above outstanding items, we expect to issue an unqualified opinion on the Pension Fund Financial Statements in the form which appears at Section 3.

Audit differences

We have not identified any differences which management has not agreed to amend.

We identified the following audit differences which has been corrected in the amended version of the financial statements:

1. Difference between custodian and EY calculated market price, resulting in an increase in the value level 2 investment assets of £2.82 million.
2. Difference between custodian and the latest information available from fund managers in relation to the valuation of level 3 (complex) investments assets. This audit difference increased the value of these investments assets by £23.2 million.
3. Reclassification of a level 2 investment (Hermes Property UT) to level 3 investment as confirmed by fund manager - £12.97 million.



Executive Summary

Audit Risks and other areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of the Pension Fund. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Misstatements due to fraud or error - Incorrect posting of the valuations notified for investment assets and investment income

- We have completed our testing and found no indications of management override of controls.

Valuation of complex investments

- We have completed our work in this area. We have identified an audit misstatement of £23.2 million which understated the value of level 3 investments. Please refer to page 13 of this report for further information.

Going concern disclosures

- Subject to conclusion of our internal going concern disclosures consultation with EY Professional Practice Department, we have concluded our procedures over the Pension Fund's going concern financial statement disclosures. We are required to consult on the going concern disclosure because of the length of time that has elapsed between the financial year end year and the conclusion of the 2020/21 audit. Our conclusions is that there are no material uncertainties and that it is appropriate for the Pension Fund's accounts to be prepared on a going concern basis and, after minor amendments, the Pension Fund's going concern disclosures are appropriate. Refer to page 14 of this report for further information.

We request that you review these and other matters set out in this report to ensure:

- There are no residual further considerations or matters that could impact these issues;
- You concur with the resolution of the issue; and
- There are no further significant issues you are aware of to be considered before the financial report is finalised.

There are no matters, other than those reported by Management or disclosed in this report, which we believe should be brought to the attention of the Audit & Governance Committee or Management.

Other assurance procedures

IAS 19 procedures:

As auditors of the Northamptonshire Local Government Pension Scheme, we receive annual requests to provide assurances over the information submitted to the actuary by the Pension Fund on behalf of its member bodies. Under the agreed IAS 19 protocol procedures the auditors of the Pension Fund conducts procedures as requested by the auditors of the Pension Fund's member bodies.

We have completed our assurance procedures in relation to IAS19 assurance reporting. We have issued our IAS 19 assurance letters to the auditors of 14 Northamptonshire entities for the 2020/21 audits.

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Other reporting issues

We are required to give an opinion on the consistency of the financial and non-financial information in audited Pension Fund Accounts with the Northamptonshire County Council Statement of Accounts 2020/21. The audit of the full annual statement of accounts of Northamptonshire County Council for the year ended 31 March 2021 is now substantially complete.

We have completed our review of consistency checks between the financial statements in the Pension Fund's Annual Report and within the Northamptonshire County Council's Statement of Accounts 2020/21. Subject to minor amendments related to the consistency of narrative disclosures, we have obtained assurance that the two version of the Pension Fund's financial statements are consistent.

Independence

We are not aware of any independence matters to bring to the attention of those charged with governance. Please refer to Section 7 for our update on Independence.



02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error:

Misstatements due to fraud or error - Incorrect posting of the valuations notified for investment assets

What is the risk?

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.

We have considered the key areas where management has the material opportunity and incentive to override controls. We have identified the Incorrect posting of the valuations notified for investment assets as a specific area where misstatements due to fraud or error may arise.

What did we do and what judgements did we focus on?

We have undertaken our standard procedures to address fraud risk, which included:

- Identifying fraud risks during the planning stages.
- Inquiring of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Considering the effectiveness of management's controls designed to address the risk of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

We have undertaken additional procedures to address the specific risks we have identified relating to incorrect posting of journals relating to investment assets, which consists of:

- Reviewing reconciliations to the fund manager, custodian and valuer reports and investigating any reconciling differences.
- Agreeing the reconciliation of holdings included in the Net Assets Statement to the source reports.



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error: Incorrect posting of the valuations notified for investment assets (Continued)

What are our conclusions?

Based on the procedures performed our conclusions are:

- We have not identified any material weaknesses in controls or evidence of material management override.
- We have not identified any instances of inappropriate judgements being applied.
- We did not identify any other transactions during our audit which appeared unusual or outside the Fund's normal course of business.

We have completed our work on this area. In relation to the specific risk identified in respect of incorrect posting of journals related to investment asset values we did not identify any audit differences. No instances of management override of controls were identified during the audit.



Areas of Audit Focus

Significant risk

Valuation of complex investments

What is the risk?

The Fund's investments include unquoted investment vehicles such as private equity, infrastructure and pooled property funds. The valuation of such investments are classified under IFRS 13 as level 3 investments. The valuation of level 3 investments are based on 'unobservable' inputs. Total level 3 investments of the Fund as at 31 March 2021 are £400.25 million.

The Pension Fund's Investment managers make judgements to value those investments as their prices are not publicly available. The material nature of investments means that any error in judgement could result in a material valuation error.

Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the pension fund year end. Such variations could have a material impact on the pension fund's financial statements.

Covid-19 has created an uncertain economic environment prior to the Pension Fund's reporting date of 31 March 2021. As a result, the valuation of these complex investment assets as of 31 March 2021 were subject to increased estimation and potentially significant judgements.

What did we do and what judgements did we focus on?

To gain assurance over the valuation of complex investments, for a sample of level 3 investments (encompassing Private Equity, Pooled Property and Infrastructure investments) we have:

- Reviewed and disaggregated the securities making up the Level 3 investment portfolio;
- Considered the basis of valuation for these investments and assessed the appropriateness of the valuation methods used;
- Obtained and reviewed the latest audited accounts for the relevant fund managers and ensured there are no matters arising that highlight weaknesses in the funds valuation;
- Obtained ISAE3402 (or equivalent) controls reports and reviewed for any issues or qualifications impacting the valuation controls over the funds;
- Performed procedures to develop our own estimate of the 31 March valuations using evidence such as recent trading, market movements, Indices and benchmarking date, and assessed the reasonableness of valuations against our own expectations; and

Reviewed investment valuation disclosures to verify that significant judgements surrounding the valuation of level 3 investments have been appropriately made in the Pension Fund's financial statements.



Areas of Audit Focus

Significant risk

Significant Risk: Valuation of complex investments (Continued)

What are our conclusions?

We have completed our procedures in relation to this significant risk. We identified a cumulative audit difference of a £23.2 million understatement of level 3 investment asset valuations. Management have agreed to amend for this misstatement in the Pension Fund's financial statements.

The £23.2 million audit difference occurred because the Pension Fund's investment fund managers estimate the value of the Pension Fund's investment as of 31 March 2021 at a particular point in time to enable the Pension Fund to prepare their draft financial statements in accordance with the timetable set out in the Audit and Accounts Regulations 2015. At a later point in time, when we perform our audit procedures, the investment fund managers have more up to date estimates for investment valuations as of 31 March 2021. The impact of Covid-19 on global market volatility during the 2020/21 financial up to the 31 March 2021 is likely to have exacerbated the impact of these timing differences on the material accuracy of the estimates compared to a year with a more stable economic environment.

In addition, we also identified one pooled property investment fund with a value of £12.9 million, that was initially classified and disclosed as a level 2 investment under IFRS 13: Fair Value Hierarchy. However, based on audit testing the investment should have been classified as level 3. Management have agreed to amend the Pension Fund's financial statements to correct for this classification audit difference. This finding has a disclosure impact on the financial statements, but had no overall impact on the value of the Pension Fund's assets.

From our procedures performed to respond to this significant risk we did not identify any instances of management bias or management override of controls.



Other Areas of Audit Focus



Going concern disclosure

What is the area of focus?

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 states that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis. There is therefore a presumption that the Pension Fund will continue as a going concern.

However, the current uncertain economic environment as a result of the ongoing impact of Covid increases the need for the Pension Fund to undertake a detailed going concern assessment to support this assertion.

International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

The auditor's report in respect of going concern covers a 12-month period from the date of the report, therefore the Pension Fund's assessment will also need to cover this period. Therefore, the Pension Fund's going concern assessment and disclosure in the accounts will need to consider information relevant to potentially beyond the 2021/22 financial year to cover at least 12 months from the date of the report.

Work performed:

Due to the delays of the completion of 2020/21 Northamptonshire County Council audit we have performed our audit procedures over going concern during the months of October and November 2023. Our work has looked prospectively for the future 12 month period from the expected date of the audit report, which is November 2023. We have reviewed management's assessment and financial statement disclosures related to the going concern of the pension fund. As part of this review, we have performed stress testing on the Pension Fund's future 12 month cash flow forecast and assessed the reasonableness of other assumptions included in management's assessment.

Conclusion:

Subsequent to final internal consultation and sign off by EY's professional practice department, we have completed our procedures in relation to going concern for the 2020/21 Pension Fund audit.

The Pension Fund's future cash flow forecast shows that the Pension Fund will maintain its current liquidity level during the going concern period. The assumptions used by management in their going concern assessment were appropriate. Subject to minor amendments (for example updating dates within the disclosure) we are satisfied that the financial statements going concern disclosures is appropriate and materially accurate.

We did not identify any material uncertainties in relation to the ability of the Pension Fund to continue as a going concern or in relation to the disclosure and supporting management assessment.



03 Audit Report



Audit Report

Our proposed opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHAMPTONSHIRE PENSION FUND

Opinion

We have audited the Pension Fund financial statements for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 27. 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.

In our opinion the Pension Fund financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and the amount and disposition of the fund's assets and liabilities as at 31 March; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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 Pension Fund 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.

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.

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 Pension Fund's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

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 Pension Fund's ability to continue as a going concern.



Audit Report

Our proposed opinion on the financial statements

Other information

The other information comprises the information included in the 'Northamptonshire County Council Statement of Accounts 2020-2021', 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 2020-2021'.

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:

- 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.



Audit Report

Our proposed opinion on the financial statements

Responsibility of the Executive Director of Finance

As explained more fully in the 'Statement of Responsibilities for the Statement of Accounts' set out on page 22, the Executive Director of Finance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund 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, and for being satisfied that they give a true and fair view and for such internal control as the directors determine 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 Pension Fund'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 Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

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 Pension Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.



Audit Report

Our proposed opinion on the financial statements

We understood how Northamptonshire Pension Fund is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the monitoring officer, the Head of Internal Audit, 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 Committee minutes, through the inspection of Pension Fund policies and procedures 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 Pension Fund's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and opportunities 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 the manipulation of journal entries of the investment income and investment asset valuations and management override of controls to be our fraud risks.

To address our fraud risk we tested the consistency of the investment income and investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business.

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.

Use of our report

This report is made solely to the members of Northamptonshire County Council (demised), 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 Northamptonshire Pension Fund and Northamptonshire County Council (demised) members as a body, for our audit work, for this report, or for the opinions we have formed.

Debbie Hanson (Key Audit Partner)
Ernst & Young LLP (Local Auditor),
Luton

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.

Below is a summary of audit differences identified as of the date of this report.

Summary of unadjusted differences

We have not found any difference which management has not agreed to adjust in the financial statements.

Summary of adjusted differences

The following audit differences have been corrected in the final 2020/21 Pension Fund financial statements:

1. Difference between custodian and EY calculated market price, resulting in an increase in the value level 2 investment assets of £2.82 million.
2. Difference between custodian and the latest information available from fund managers in relation to the valuation of level 3 (complex) investments assets. This audit difference increased the value of these investments assets by £23.2 million.
3. Reclassification of a L2 investment (Hermes Property UT) to a L3 investment as confirmed by fund manager - £12.97 million



05 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We are required to give an opinion on the consistency of the financial and non-financial information in audited Pension Fund Accounts with the Northamptonshire County Council Statement of Accounts 2020/21. We have reviewed the other information published alongside Northamptonshire Pension Fund's financial statements within Northamptonshire County Council Statement of Accounts for the year ended 31 March 2021. We have nothing to report on this matter.

In addition, we also perform procedures to ensure the consistency of the Pension Fund's financial statements with the version of the financial statements presented in the Pension Fund's Annual Report. We have completed our consistency checking review of the Annual Report. Subject to minor amendments, the two documents are consistent.

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 Pension Fund 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 also have a duty to make written recommendations to the Pension Fund, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

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 the Pension Fund's financial reporting process. 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; and
- Consideration of laws and regulations.

We have nothing to report in respect of these matters.



06

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Pension Fund 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 Fund 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 have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



07

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 the Pension Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the Pension Fund, its members 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 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 next page includes a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below.

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. We confirm that we have not undertaken non-audit work.

Other communications

EY Transparency Report 2023

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 for the year end 30 June 2023:

ey.com/en_uk/about-us/transparency-report

Relationships, services and related threats and safeguards

Services provided by Ernst & Young

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

As noted in our Audit Planning Report, we do not believe that the current scale fee reflects the changes in the audit market and increases in regulation since the most recent PSAA tender exercise. A combination of pressures is impacting Local Audit and has meant that the sustainability of delivery is now a real challenge. As a result, we have had to revisit the basis on which the scale fee was set. We previously shared with the management our proposal for increasing the scale fee and details of the main drivers. As a result of these factors, we have proposed an increase in the scale fee from £18,699 to £55,000. We will submit our final fee estimate to PSAA for them to determine on completion of the audit. Our proposed increase in the scale fee is not reflected in the table below.

	Planned fee 2020/21	Final fee 2019/20	Scale fee 2019/20
	£'s	£'s	£'s
Scale fee – Audit of the Pension Fund (see above comments)	18,699	18,699	18,699
Additional fee (Note 1)	25,000 to 30,000	13,840	-
IAS 19 assurances (Note 2)	12,000	12,000	-
Triennial review procedures (Note 3)	0	10,471	-
Total fees for Code work	55,699 to 60,699	55,010	18,699

All fees exclude VAT

Note 1 – The final additional fee for the 2019/20 audit as determined by PSAA was £13,840.

For 2020/21, the scale fee continues to be impacted by a range of factors, including the ongoing impact of Covid, which have resulted in additional work to obtain the appropriate level of evidence to support our opinion. Now that we are close to completion of the audit, we have estimated the fee in relation to this additional work. Once the audit has been fully completed we will provide further details of the final proposed fee to Management. The proposed scale fee variation will be subject to determination by PSAA.

Note 2 – An additional fee of £12,000 is proposed in 2020/21 to take into account the additional work required to respond to IAS19 assurance requests from scheduled bodies. This is the same fee level as in 2019/20.

Note 3 – For 2019/20, we were required to undertake additional IAS19 procedures on the data submitted to the actuary to inform their triennial revaluation of the fund. This was not required for the 2020/21 audit.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Pension Fund; and
- ▶ The Pension Fund has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Pension Fund in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.



08 Appendices

Appendix A

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the 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
- 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




Net Assets Statement category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Investment Assets and Liabilities	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A
Current assets & liabilities	Substantively tested all required relevant assertions	Substantively tested all required relevant assertions	N/A

Required communications with the Audit & Governance Committee





There are certain communications that we must provide to the those charged with governance of UK entities. 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.	Audit Planning Report dated 2 July 2021 – presented to Audit & Governance Committee on 28 July 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Planning Report dated 2 July 2021 – presented to Audit & Governance Committee on 28 July 2021
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Provisional Audit Results Report dated 17 September 2021 – presented to Audit & Governance Committee on 27 September 2021 And this report.

Appendix B

		 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"> • Whether the events or conditions constitute a material uncertainty related to going concern • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The appropriateness of related disclosures in the financial statements 	<p>Provisional Audit Results Report dated 17 September 2021 – presented to Audit & Governance Committee on 27 September 2021 And this report.</p>
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	<p>Provisional Audit Results Report dated 17 September 2021 – presented to Audit & Governance Committee on 27 September 2021 And this report.</p>
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	<p>We have asked management and those charged with governance. We have not identified any subsequent events. Final procedures will be performed before sign off at the time of issuing audit report.</p>





Appendix B

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Fraud	<ul style="list-style-type: none"> • Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • 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"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Audit Committee responsibility. 	<p>We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.</p>
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	<p>We have no matters to report.</p>
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"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit Planning Report dated 2 July 2021 – presented to Audit & Governance Committee on 28 July 2021</p> <p>Provisional Audit Results Report dated 17 September 2021 – presented to Audit & Governance Committee on 27 September 2021</p> <p>And this report.</p>

Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
	<p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit • Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy • Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard • The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures. 	We have no matters to report.
Consideration of laws and regulations	<ul style="list-style-type: none"> • 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 • 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 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.

Appendix B

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	Provisional Audit Results Report dated 17 September 2021 – presented to Audit & Governance Committee on 27 September 2021 And this report.
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Provisional Audit Results Report dated 17 September 2021 – presented to Audit & Governance Committee on 27 September 2021 And this report.
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Provisional Audit Results Report dated 17 September 2021 – presented to Audit & Governance Committee on 27 September 2021 And this report.
Auditors report	<ul style="list-style-type: none"> Key audit matters that we will include in our auditor’s report Any circumstances identified that affect the form and content of our auditor’s report 	Provisional Audit Results Report dated 17 September 2021 – presented to Audit & Governance Committee on 27 September 2021 And this report.



Appendix C – Request for a Management Representation Letter

Request for a Management Representation Letter

Debbie Hanson
Ernst & Young
400 Capability Green
Luton
Bedfordshire
LU1 3LU

Dear Debbie,

This letter of representations is provided in connection with your audit of the financial statements of Northamptonshire Pension Fund (“the Fund”) 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 financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2021, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year, in accordance with applicable law and 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 the Fund’s financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK) , 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 applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and for keeping records in respect of contributions received in respect of active members of the Fund.
2. We confirm that the Fund is a Registered Pension Fund. We are not aware of any reason why the tax status of the Fund should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements and the Summary of Contributions. We believe the financial statements referred to above give a true and fair view of the financial transactions and the financial position of the Fund in accordance with applicable law 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 financial statements.



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4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
 5. As members of management of the Fund we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with applicable law and 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. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic
 6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.
- B. Non-compliance with laws and regulations, including fraud
1. We acknowledge that we are responsible to determine that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address 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 financial statements may be materially misstated as a result of fraud.
 4. We have not made any reports to the Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.
 5. There have been no other communications with the Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.
 6. We confirm that we are not aware of any breaches of the Payment Schedule/Schedule of Contributions or any other matters that have arisen which we considered reporting to the Pensions Regulator.
 7. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - Involving financial improprieties
 - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements



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- 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 Fund's business, its ability to continue in business, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- 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.

1. You have been informed of all changes to the Fund rules.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.

3. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the 2020/21 year to the most recent meeting on the following date: 24 July 2023.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund'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 period ended, as well as related balances due to or from such parties at 31 March 2021. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We confirm the completeness of information provided regarding annuities held in the name of the members of management of the Fund.



Appendix C – Request for a Management Representation Letter

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6. 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.

7. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

8. No transactions have been made which are not in the interests of the Fund members or the Fund during the year or subsequently.

9. From 21 November 2021, the date of the last management representation letter, through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized 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, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

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 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 disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 26 to the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than the events as described in Note 6 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.



Appendix C – Request for a Management Representation Letter

Request for a Management Representation Letter

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Northamptonshire County Council Statement of Accounts and Pension Fund Annual Report , other than the financial statements, the auditor’s report and the statement about contributions.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Advisory Reports

1. We have not commissioned any advisory reports which may affect the conduct of your work in relation to the Fund’s financial statements and schedule of contributions/payment schedule.

H. Independence

1. As members of management of the Fund, we are not aware of any matters which would render Ernst & Young LLP ineligible to act as auditor to the Fund.

I. Derivative Financial Instruments and Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that the Fund has made no direct investment in derivative financial instruments.
2. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS (Management and Investment of Funds) Regulations 2016 in respect of these investments has been followed.

J. Actuarial valuation

1. The latest reports of the actuary, Hymans Robertson as at 31 March 2019 and 31 March 2022 have been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.



Appendix C – Request for a Management Representation Letter

Request for a Management Representation Letter

K. Estimates

Estimate: Valuation of level 3 investments

1. We confirm that the significant judgments made in making the valuation of level 3 investments have taken into account all relevant information and the effects of the COVID-19 pandemic 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 making the valuation of level 3 investments.
3. We confirm that the significant assumptions used in making the valuation of level 3 investments appropriately reflect our intent and ability to carry out the functions of the Pension Fund.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, 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 making the valuation of level 3 investments.
6. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements, including due to the COVID-19 pandemic.

Estimate: Actuarial Present Value of Promised Retirement Benefits (IAS 26)

1. We confirm that the significant judgments made in making the Actuarial Present Value of Promised Retirement Benefits (IAS 26) estimate have taken into account all relevant information and the effects of the COVID-19 pandemic 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 making the Actuarial Present Value of Promised Retirement Benefits (IAS 26) estimate.
3. We confirm that the significant assumptions used in making Actuarial Present Value of Promised Retirement Benefits (IAS 26) estimate appropriately reflect our intent and ability to carry out the functions of the Pension Fund.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, 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.



Appendix C – Request for a Management Representation Letter

Request for a Management Representation Letter

5. We confirm that appropriate specialized skills or expertise has been applied in making the Actuarial Present Value of Promised Retirement Benefits (IAS 26) estimate.

6. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements, including due to the COVID-19 pandemic.

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we have engaged to value the Pension Fund's assets and liabilities, including the Actuarial Present Value of Promised Retirement Benefits, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the 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.

M. Going Concern

1. Based on our assessment of going concern, the details of which have been shared with you, we confirm that we are not aware of any material uncertainties related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. We do not intend to wind up the Fund. We are satisfied that the use of the going concern basis of accounting is appropriate in the preparation and presentation of the financial statements.



Appendix C – Request for a Management Representation Letter

Request for a Management Representation Letter

N. Climate-Related Matters

1. Whilst recognising that the Climate Change Governance and Reporting Regulations do not cover the Local Government Pension Scheme, 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, as well as the impact resulting from the commitments made by the Fund in the financial statements.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of 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.

Yours faithfully,

Executive Director of Finance

Governance and Audit Committee, Chair

Date

About EY

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ED None

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WEST NORTHAMPTONSHIRE COUNCIL

AUDIT AND GOVERNANCE COMMITTEE

Report Title	Pension Fund Annual Report and Statement of Accounts 2022-23
Report Author	Ben Barlow, Ben.Barlow@Westnorthants.gov.uk

Contributors/Checkers/Approvers

West MO	Catherine Whitehead	13/11/2023
West S151	Martin Henry	13/11/2023

List of Appendices

Appendix A - Final Annual Report and Statement of Accounts 2022-23

Appendix B – Grant Thornton’s ISA260 Audit Results Report 2022-23

1. Purpose of Report

- 1.1 To present the final Annual Report and Statement of Accounts of the Pension Fund and audit results report for the 2022-23 financial year.

2. Executive Summary

- 2.1 The report covers the key changes to the final Annual Report. The Fund’s assets have fallen to £3,250m, following negative investment performance during the year with a net decrease of £117.7m. Contributions, Benefits, Management Expenses and Investment income have increased since last year.
- 2.2 The report covers the findings of the external audit for the Northamptonshire Pension 2022-23.
- 2.3 There is one corrected misstatement of £7.6m identified during audit, due to estimates used for level 3 investments. There have also been a small number of disclosure adjustments required, these have been amended in the accounts.
- 2.4 There are two recommendations for management which have been actioned.

3. Recommendations

- 3.1 The Committee is asked to:
- a) Approve the Statement of Accounts and notes the Annual Report of the Pension Fund for the 2022-23 financial year.
 - b) Note the findings of external audit documented in the ISA260.

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 the 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 1st April to 31st 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 in order 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).

5.4 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.

5.5 The structure and content of the Annual Report is governed by guidance issued by the CIPFA in compliance with Regulation 57 of The Local Government Pension Scheme Regulations 2013 (as amended).

6. Key Changes from Draft Accounts

6.1 The draft Annual Report and Statement of Accounts was brought to Committee at the July meeting. The below sets out the changes from the draft report and final report:

6.1.1 £7.6m adjustment made to Private Equity, Infrastructure and Property following 31 March 2023 valuations,

6.1.2 Page 3 - Inclusion of the Chair's Foreword,

6.1.3 Page 28 and 82– ACCESS information as at 31st March 2023

6.1.4 Page 29 – Inclusion of Cost Transparency details,

6.1.5 Page 34 – Updated TCFD Reporting,

6.1.6 Page 58 – Note about fees paid to auditors during the year

6.1.7 Page 79 – Adjusted 31 March 2022 actuarial present value of promised retirement benefits

6.1.8 Page 81 – Adjusted contractual commitments figure

7. Findings and feedback from External Audit fieldwork

7.1 The Pension Fund Statement of Accounts has been subject to external audit fieldwork and GT have offered a separate audit opinion on the Pension Fund's Annual Report and Statement of Accounts within the ISA260 document, this is set out on page 3 of the Audit report.

"Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- *the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and*
- *have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014."*

7.2 The Pension Fund's opinion cannot be finalised until the Council's audit has concluded.

7.3 There is one corrected misstatement identified during the audit. The investment asset balances included a number of estimated asset valuations for Level 3 assets, these are based on December 2022 actual valuations adjusted for cash flows to the 31 March 2023. The actual valuations received for these assets showed the investment asset balance was understated by £7.6m. This value is below materiality thresholds.

7.4 There have been a small number of disclosure amendments show in Appendix D of the results report.

7.5 There are two recommendations for management listed below, both recommendations have been actioned and communicated to the relevant teams:

7.5.1 Management should ensure that procedures are followed and that journals are authorised before posting to avoid segregation of duties risks.

7.5.2 Management should ensure that IT user responsibilities are monitored and reviewed to avoid segregation of duties.

7.6 The Final version of the Annual Report and Statement of Accounts will be published on the Fund's website.

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 There are no legal implications arising from the proposals.

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 applicable

8.6 **Climate Impact**

8.6.1 This an information update paper only. There are no climate impact considerations arising as a direct result of this paper.

8.7 **Community Impact**

8.7.1 There are no community impact implications.

8.8 **Communications**

8.8.1 The final Annual Report and Statement of Accounts will be made available to the public by publication on the Fund's website. The documents will also be shared with the Local Government Association.

9. **Background Papers**

9.1 Not applicable



Northamptonshire County Council Pension Fund Annual Report and Statement of Accounts Year Ended 31st March 2021

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Chairperson's Foreword

It gives me great pleasure to introduce the Northamptonshire Pension Fund Annual Report and Statement of Accounts for 2020-21. It has been a year like no other, but that has not stopped the Pension Fund in continuing to deliver its high service.

I would like to thank our previous Chairs, for their hard work and dedication to the Fund over the last year, as well as all the current and previous members of the Pension Committee.

I'd also like to take this opportunity to thank the staff of the Northamptonshire Pension Fund and the Employers within the Fund for their work over the last year which has seen all of them adapt to the new situation of working from home, and despite this they continue to deliver their high service standards to our customers.

The local authorities in Northamptonshire have seen change in the form of converting into two unitary authorities, West Northamptonshire Council and North Northamptonshire Council. The key stakeholders are our scheme members, and the local government reorganisation led to a mass communication exercise for the Northamptonshire Pension Fund to make sure that members understood the important decisions they needed to make about their pension as a result of being transferred to one of the new authorities.

Our members increased to over 73,000 active, pensioner and deferred members of the scheme from the previous year's figure of over 69,000. They rely on us to look after their valuable pension rights and we have taken steps to ensure that our scheme members continue to receive the same experience as they have in previous years.

Initiatives designed to increase member engagement saw an increase in the number of members registering for their online pension account of 22% from December 2020 (16,151) to June 2021 (19,767), enhancing both

the members' ability to manage their pension and our ability to communicate with members quicker and more securely through their online account.

The transition from annual to monthly data provision by scheme employers has been a key focus and 97.88% of employers now provide us with a monthly return, improving the timeliness of data provision, allowing members to see more up to date information about their pension through their online account, and improving our ability to administer the Fund in an efficient manner.

Following the impact of the Covid-19 pandemic on the 2019-20 financial accounts we have seen a resurgence in valuation of the Fund from £2.40bn as at the 31st March 2020 to £3.10bn on 31st March 2021. This figure not only sees growth of 29.2% on the previous year, but also sees growth on our pre-pandemic valuation of 2.51bn on 31st March 2019 of 23.5%.

The Fund continues its commitment to the ACCESS asset pool with 73% of its assets pooled, and this figure will continue to rise in the coming years. This has been a successful year for the Fund and I would also like to thank the hard work of the Investment Sub-Committee, members of the Local Pension Board, the Chief Finance Officer, the Head of Pensions and all staff involved in the administration and management of the Fund.

Councillor Malcolm Longley

Chairman of the Northamptonshire Pensions Committee.

Dated: xxxxxxxx 2021

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 County Council 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 2020-21.

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, [Northamptonshire Pension Fund Valuation Report](#)

The Council's Responsibilities in respect of the Pension Fund

The Northamptonshire County 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 2021 and of its income and expenditure for the year 2020-21, and authorise the accounts for issue.

Mr M Henry

Chief Finance Officer

(Section 151 Officer)
















Dated: xx xxxxxx 2021

Scheme Management, Advisors and Partners

Partners

 ACCESS Effective • Collective • Investment	 BARCLAYS	 EY	HYMANS ROBERTSON	 AON Empower Results®
ACCESS (Pension Pool)	Barclays (Bank)	Ernst & Young (Auditors)	Hymans Robertson (Actuary)	AON (Consultants)
 LGSS Law Ltd.	 Mercer	 NORTHERN TRUST	 SQUIRE PATTON BOGGS	David Crum (Independent Advisor)
LGSS Law (Legal Advisors)	Mercer (Investment Consultants)	Northern Trust (Custodian)	Squire Patton Boggs (Legal Advisors)	

Asset Managers

 Adams Street	 Allianz	 AMP CAPITAL	 BAILLIE GIFFORD	 CATAPULT Ventures
Adams Street Partners	Allianz Global Investors	AMP Capital	Baillie Gifford & Co*	Catapult
 CBRE	 HARBOURVEST	 ifm investors	J.P.Morgan	 LINK Group
CBRE Global	HarbourVest Partners (UK)	IFM Investors	JP Morgan	Link Fund Solutions (ACCESS)
 LONGVIEW PARTNERS	 M & G	 MAJEDIE Asset Management	 NEWTON Investment Management	 UBS
Longview Partners*	M&G Investments	Majedie Asset Management*	Newton*	UBS Asset Management
 BlueBay Asset Management	*Subfunds managed by Link Fund Solutions in the ACCESS Pool (page 28)			
BlueBay Asset Management				

AVC Providers

 PRUDENTIAL	 Standard Life
Prudential	Standard Life

Scheme Management & Key Officers

The Key Officers of the Fund during the year were:

Mark Whitby – Head of Pensions

Ben Barlow – Fund Accounting Manager

Paul Tysoe – Investment Accounting Manager

Richard Sultana – Operations Manager

Cory Blose – Employer and Systems Team Manager

Joanne Kent – Governance and Regulations Manager

Fiona Coates – Pension Services Financial Manager

Richard Perry – Pension Services Financial Manager

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

Ben Barlow

Fund Accounting Manager, Pensions Service

Email: Ben.Barlow@westnorthants.gov.uk

Telephone: 07917 197467



Enquiries relating to management and administration should be directed to:

Mark Whitby

Head of Pensions, Pensions Service

Email: Mark.Whitby@westnorthants.gov.uk

Telephone: 07990 556197



Registered Pension Scheme Number: 10079143

Scheme Administration

Introduction

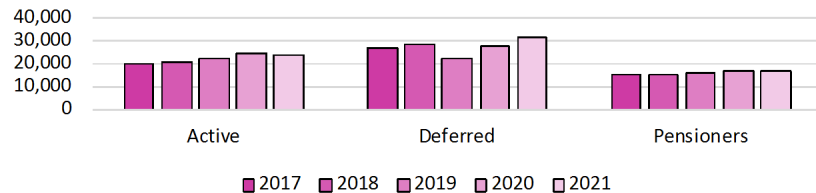
Northamptonshire County Council is responsible for administering the Northamptonshire Pension Fund, which is available to employees of the County Council, organisations with a statutory right to be in the scheme (scheduled bodies) and organisations, such as charities, which the County Council has admitted 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.

Membership

Membership of the Fund increased by 1.8% from the previous year.

On 31 March 2021 there were 23,868 active, 32,164 deferred and 17,046 pensioner members in the Fund. The deferred figure is inclusive of 8,203 open cases that may change status (undecided leavers).



Pension Fund Administration

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

There are 77 staff members (74.42 full time equivalent) within the Pensions Team, providing all aspects of service to both the Cambridgeshire and Northamptonshire Funds, with an average staff to member ratio of 1:2,183 (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, and the Pensions Team have been awarded the national standard for excellence in customer service (CSE) since 2016.

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

As of the 1st April 2021 Northamptonshire County Council will cease to exist and will be replaced by the West Northamptonshire and North Northamptonshire unitary authorities. West Northamptonshire Council will 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.

[Employer Self Service](#) is available to all employers in the scheme and gives access to the pension database remotely and securely, allowing them to view, create and amend their employees' data, run reports and perform benefit calculations.

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 Northamptonshire County 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 County Council, the Police Authority, Police and Crime Commissioner, Unitary, District and Borough Councils 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 2019. The results of the valuation were a funding level of 93% (31 March 2016: 28%) and an average primary employer contribution rate of 19% (31 March 2016: 17.1%). The primary rate includes an allowance of 0.8% (31 March 2016: 0.7%) of the pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% (31 March 2016: 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 the two linked cases of Sargeant and McCloud (which for the purposes of the LGPS has generally been shortened to "McCloud"), relating to the Firefighter unfunded pension schemes and the Judicial pension arrangements.

In essence, the Court held that the transitional protections, which were afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination. It was announced on the 27th June 2019 that the Government has been denied the right to appeal.

It was subsequently announced that any remedy resulting from the McCloud case would also apply to the LGPS in the form of a small increase in benefits for some members. A MHCLG consultation on the required amendments to the LGPS regulations was issued on 16th July 2020 for a period of 12 weeks. It is anticipated that amendments to members benefits will not commence until the earliest of 1 April 2021.

Scheme Administration (continued)

The below table compares the 2008 and the 2014 schemes.

	LGPS 2008	LGPS 2014
Basis of Pension	Final Salary	Career Average Revaluated Earnings (CARE)
Accrual Rate	1/60 th	1/49 th
Revaluation Rate	Based on Final Salary	Consumer Prices Index (CPI)
Pensionable Pay	Pay excluding non contractual overtime and non pensionable additional hours	Pay including non-contractual overtime and additional hours
Employee Contribution Rates	Between 5.5% and 7.5%	Between 5.5% and 12.5%
Contribution Flexibility	No	Option to pay 50% contributions for 50% of pension benefit
Normal Pension Age	65	Equal to individuals state pension age
Lump Sum Trade Off	Trade £1 of pension for £12 lump sum	Trade £1 of pension for £12 lump sum
Death in Service Lump Sum	3 x Pensionable Pay	3 x Pensionable Pay
Death in Service Survivor Benefits	1/160 th accrual based on Tier 1 ill health pension enhancement	1/160 th accrual based on Tier 1 ill health pension enhancement
Ill Health Provision	Tier 1 – Immediate payment with service enhanced to Normal Pension Age (65)	Tier 1 – Immediate payment with service enhanced to Normal Pension Age
	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
Indexation of Pension in Payment	CPI (RPI for pre-2011 increases)	CPI
Vesting Period	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 2020-21, training undertaken in year, including; including; Training days, Conferences and Strategic Workshops.

Councillor/Member Name	Committee/Board	Meetings Attended	Training Undertaken (Virtual)
Councillor Jonathon Ekins - Chairman	Pensions Committee Investment Sub-Committee	4 meetings of 5 4 meetings of 4	3 Sessions
Councillor Bill Parker – Vice Chairman	Pensions Committee Investment Sub-Committee	5 meetings of 5 4 meetings of 4	4 Sessions
Councillor Bob Scott	Pensions Committee Investment Sub-Committee	5 meetings of 5 4 meetings of 4	5 Sessions
Councillor Malcolm Waters	Pensions Committee Investment Sub-Committee	5 meetings of 5 3 meetings of 4	5 Sessions
Peter Borley-Cox	Pensions Committee Investment Sub-Committee	5 meetings of 5 3 meetings of 4	5 Sessions
Damian Pickard (retired Jan 21)	Pensions Committee Investment Sub-Committee	2 meetings of 4 1 meeting of 3	4 Sessions
Robert Austin	Pensions Committee Investment Sub-Committee	3 meetings of 5 2 meetings of 4	4 Sessions
Councillor Stephen Legg	Pensions Committee	5 meetings of 5	1 Sessions
Councillor Anjona Roy (May 2019)	Pensions Committee	5 meetings of 5	1 Sessions
Councillor Richard Lewis	Pensions Committee	5 meetings of 5	3 Sessions
Councillor Richard Micklewright	Pensions Committee	4 meetings of 5	1 Sessions
Janet Blunden	Pensions Committee	3 meetings of 5	0 Sessions
Councillor Annabel De Capell Brooke	Pensions Committee	0 meetings of 5	0 Sessions
Andy Langford (Substitute)	Pensions Committee Investment Sub-Committee	4 meetings of 5 0 meetings of 4	3 Sessions
Paul Evans – Chairman	Local Pension Board	2 meetings of 3*	1 Sessions
Councillor Allan Matthews – Vice Chairman	Local Pension Board	3 meetings of 3*	3 Sessions
Martin Hammond	Local Pension Board	3 meetings of 3*	2 Sessions
Kevin Standishday	Local Pension Board	3 meetings of 3*	2 Sessions
Julie Petrie	Local Pension Board	2 meetings of 3*	4 Sessions
Councillor Athur McCutcheon	Local Pension Board	1 meeting of 3*	1 Sessions

*The meeting to be held in April 2020 was cancelled

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 2020-21](#)

[Anti-Fraud and Corruption Policy](#)

[Cash Management Strategy](#)

[Communications Plan](#)

[Communications Strategy](#)

[Conflict of Interest Policy for Northamptonshire Pension Fund Board](#)

[Data Improvement Policy](#)

[Funding Strategy](#)

[Governance Policy and Compliance Statement](#)

[Investment Strategy Statement](#)

[Northamptonshire Pension Fund Training Strategy](#)

[Overpayment of Pension Policy](#)

[Payment of Pension Contributions Policy](#)

[Pension Fund Objectives](#)

[Reporting Breaches of the Law to the Pensions Regulator Policy](#)

[Risk Register](#)

[Risk Strategy](#)

Statement/Policy Changes in 2020-21

The following strategies and policies have been reviewed and updated accordingly in 2020-21:

- Business Plan and Medium Term Strategy 2020-21
- Communications Strategy
- Administration Strategy
- Data Improvement Policy
- Investment Strategy Statement

Management and Financial Performance

The Team

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

- **Operations** – maintain member records, calculate benefits and pensions payable.
Email: Pensions@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 in efficiently participating in the Fund.
Email: PenEmployers@westnorthants.gov.uk
- **Systems** – ensure internal systems are operating efficiently and provide support to maintaining accurate member records.
Email: PenSystems@westnorthants.gov.uk
- **Investments** – oversee the governance of Fund assets and support the Investment Sub-Committee.
Email: PenInvestments@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
- **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

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, telephone 01604 366537, or write to:

Pensions Service– Governance Team
One Angel Square,
Angel Street
Northampton
NN1 1ED

Appeals

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

Stage 1 disputes are heard by the Employer if the complaint concerns an Employer decision or Head of Pensions if an administering authority decision. At Stage 2, the complaint is considered by Northamptonshire County Council’s Monitoring Officer, and if the complainant is still unhappy with the decision they may refer the case to The Pensions Ombudsman. At any stage a scheme member has the right to direct their complaint to The Pensions Ombudsman. 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
Inability to transfer out on employment ending at age 55+ with immediate entitlement to payment of benefits	Not upheld (June 2020)	Not upheld (March 2021)
Failure to provide correct annual benefit statement	Not upheld (November 2020)	N/A
Lump sum paid less than quoted	Partially upheld (November 2020)	N/A
Seeking reinstatement/ compensation for two deferred pensions being transferred to a Qualifying Recognised Overseas Pension Scheme in 2014	Not upheld (March 2021)	In progress
Inability to have pension trivially commuted	Not upheld (April 2020)	N/A

Management and Financial Performance (continued)

Managing Decision Making

Northamptonshire County 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 Northamptonshire County 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 Northamptonshire County Council's Monitoring Officer and Section 151 Officer. This ensures that risks are integrated within the governance structure of Northamptonshire County 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 28), 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	2020-21 Forecast £000	2020-21 Actual £000
Contributions	-109,000	-116,311
Transfers in from other funds	-6,100	-7,759
Total Income	-115,100	-124,070
Benefits payable	95,000	96,190
Payments to and for leavers	7,200	8,958
Total Benefits	102,200	105,148
Surplus of contributions over benefits	-12,900	-18,922
Management Expenses		
Administrative Costs	2,318	2,372
Investment Management Expenses	1,025	10,928
Oversight and Governance Costs	803	708
Total Management Expenses	4,146	14,008
Total Income less Expenses	-8,754	-4,914
Investment Income	-42,000	-23,433
Taxes on Income	0	14
(Profit)/loss on disposal and changes in market value of investments	-54,000	-670,914
Net return on investments	-96,000	-694,333
Net (increase)/decrease in assets during the year	-104,754	-699,247

Management expenses per active member are shown below:

	2019-20	2020-21
Active Members	25,049	23,868
Administrative Cost	£78.89	£99.38
Investment Management Expenses	£359.85	£457.85
Oversight and Governance Costs	£39.72	£29.66

Variance Analysis

- Investment Management expenses forecast is understated as this does not include pooled fees deducted from market value.
- The 2020-21 forecast 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 on page 34.

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
Deaths – initial letter acknowledging death of member <i>KPI: 5 working days, Legal requirement: 2 months</i>	714	714	100%
Deaths – letter notifying amount of dependant’s pension <i>KPI: 5 working days, Legal requirement: 2 months</i>	368	360	98%
Estimates – letter notifying estimate of retirement benefits to employee <i>KPI: 15 working days, Legal requirement: 2 months</i>	529	495	94%
Retirements – process and pay pension benefits on time <i>KPI: 5 working days, Legal requirement: 2 months</i>	334	320	96%
Deferment – calculate and notify deferred benefits <i>KPI: 15 working days, Legal requirement: N/A</i>	1823	1711	94%
Transfers in – Letter detailing transfer in (actual) <i>KPI: 10 working days, Legal requirement: 2 months</i>	306	290	95%
Transfers out – letter detailing transfer out (quote) <i>KPI: 10 working days, Legal requirement: 3 months</i>	393	366	93%

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 2020-21 £000	Total Paid On Time £000	% Paid On Time	Total Paid Late £000	% Paid Late
Employer	92,880	92,120	99.18%	760	0.82%
Employee	23,431	23,173	98.90%	258	1.10%
Total	116,311	115,293	99.12%	1,018	0.88%

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 ¹	£70,637,037
Total write off amount	£40,701
Write offs amount as % of payroll	0.06%

¹Excludes 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
2016-17	£55,519	£21,033	£14,542
2017-18	£74,764	£55,518	£17,518
2018-19 ²	£516,269	£379,396	£136,873
2019-20	£136,830	£47,180	£89,650
2020-21	£45,998	£5,297	£40,701

²Overpayments in 2018-19 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.

Overpayments identified from 2018-19 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 2021

Type Of Body	Number of Active Employers
Administering (AA)	1
Scheduled (S)*	301
Admitted (Ad)	56
Total	358

LEA schools are included within Scheduled Bodies, and in table below are shown in Body column as S

The table, left, shows the number of employers in the Fund as at 31 March 2021. The breakdown of contributions by employer shown in the table below will show a different number of employers when compared to the statement of accounts, 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 2020-21, or contribution receipts recorded within the period.

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased	Body
	£	£	£		
Abbey CofE Acad (Daventry)	7,422	24,881	32,304		S
Abbeyfield School (Academy)	47,081	157,169	204,250		S
Abington Vale Primary (Academy)	27,381	102,414	129,795		S
ABM Catering (Duston Eldean Primary School)	639	2,975	3,614		Ad
ABM Catering (Lyncrest Primary)	474	2,208	2,682		Ad
ABM Catering (St Mary's CE Primary)	992	5,200	6,192		Ad
ABM Catering Limited (Innovate MAT)	1,023	3,403	4,426		S
ABM Catering Limited - 2016 PDET	2,377	10,632	13,009		Ad
ABM Catering Limited (2018 PDET)	1,098	4,411	5,509		Ad
ABM Catering Limited (Magdalen)	18	73	91	Y	Ad
ABM Catering Limited (Montsaye Academy)	2,741	9,044	11,785		Ad
ABM Catering Limited 2015 PDET	65	292	357	Y	Ad
Alfred Street Junior School	7,807	35,352	43,160		S*

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased	Body
	£	£	£		
All Saints CofE VA Primary School	16,886	76,444	93,330		S*
Alliance in Partnership Limited (Magalen College School)	532	2,187	2,720		S
Amey Ltd	12,964	46,451	59,415		Ad
Ashby Fields Primary School	23,234	89,375	112,609		S
Aspens - DSLV Academy (Dantre & Southbrook)	1,355	8,208	9,563		S
Aspens (Wootton Park)	103	321	424	Y	Ad
Aspens Services Ltd (Southfield School for Girls Kettering)	611	2,355	2,967		Ad
Badby Primary Academy	12,254	72,963	85,216		S
Balfour Beatty-St Lighting	6,273	14,305	20,578		Ad
Barby & Olney Parish Council	700	3,355	4,055		S
Barby Academy	5,043	19,619	24,661		S
Barry Road Primary	31,656	138,609	170,264		S*
Beanfield Primary (Academy)	52,368	203,717	256,085		S

Management and Financial Performance (continued)

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased	Body
	£		£		
Billing Brook Academy	90,274	287,369	377,643		S
Bishop Stopford Academy	56,613	198,519	255,132		S
Blackthorn Primary (Academy)	19,649	71,010	90,659		S
Blakesley CE Primary	5,589	22,964	28,553		S
Boddington C of E Primary Academy	2,724	10,697	13,421		S
Boothville Primary School (NCC)	37,501	178,756	216,257		S*
Boughton Primary Academy	10,184	33,213	43,397		S
Bozeat Community Primary Academy	8,267	34,895	43,162		S
Bracken Leas Academy	6,321	27,201	33,522	Y	S
Brackley Town Council	18,400	70,016	88,416		S
Brambleside Primary School	15,229	57,183	72,412		S
Braunston Academy	9,371	34,885	44,256		S
Briar Hill Primary Academy	16,078	58,326	74,404		S
Bridgewater Primary School	43,169	196,870	240,039		S*
Bright Ltd	391	1,465	1,856		Ad
Brington Primary school	6,222	27,297	33,519		S*
Brixworth CEVC Primary Sch. (NCC)	26,289	118,121	144,410		S*
Brixworth Parish Council	1,652	6,456	8,108		S
Brooke Weston Academy	125,094	308,549	433,643		S
Broughton Primary School (NCC)	13,238	59,837	73,075		S*
Bugbrooke Comm Primary Sch. (NCC)	18,553	85,137	103,690		S*
Byfield Academy	7,309	23,702	31,012		S
Campion Academy	69,117	235,202	304,319		S
Caroline Chisholm (Academy)	84,972	269,146	354,118		S
Castle Primary Academy	31,859	105,858	137,717		S

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased	Body
	£		£		
Caterlink Ltd (The Grange Academy)	508	2,067	2,575		S
Cedar Road Primary (Academy)	12,889	47,410	60,299		S
Chacombe CEVA Primary Academy	7,153	26,665	33,818		S
Change-Grow-Live	2,258	8,895	11,153		Ad
Chenderit School (Academy)	36,535	122,963	159,498		S
Chipping Warden Primary Academy	5,402	22,705	28,107		S
Churchill Contract Services (Campion)	95	525	620	Y	S
Cleantec (Grange Primary Academy)	232	944	1,176		Ad
Clipston Primary School (NCC)	8,302	25,239	33,541		S*
Collingtree C of E Primary School	4,474	17,408	21,882		S
Compass (The Abbey Primary School & Standens Barn Primary School)	1,369	6,023	7,393		Ad
Complementary Education (Academy)	52,059	184,619	236,679		S
Consortium Audit (Warks)	2,058	5,067	7,125		Ad
Corby Borough Council	672,984	3,278,454	3,951,438		S
Corby Business Academy	66,386	185,400	251,786		S
Corby Old Village Sch (NCC)	12,683	58,189	70,873		S*
Corby Primary Academy	25,156	78,769	103,926		S
Corby Technical School	35,337	109,798	145,135		S
Cottingham CoFE Primary Academy	5,912	21,959	27,871		S
Cranford CoE Academy	4,798	16,761	21,558		S
Croughton All Saints CE Primary (NCC)	6,597	29,391	35,987		S*
Croyland Nursery (NCC)	26,362	111,155	137,517		S*
Croyland Pri (Well'boro) (NCC)	39,940	183,571	223,511		S*

Management and Financial Performance (continued)

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased	Body
	£		£		
CSN Resourcing Ltd	81,867	235,142	317,009	S	
Culworth C of E Primary Academy	5,554	23,484	29,038	S	
Danesholme Infants Academy	16,985	67,904	84,889	S	
Danesholme Junior Academy	14,288	64,956	79,244	S	
Danetre & Southbrook Learning Village	38,382	125,537	163,919	S	
Daventry District Council	451,640	2,288,569	2,740,210	S	
Daventry Hill School	54,433	166,846	221,279	S	
Daventry Norse Limited	23,625	106,207	129,832	Ad	
Deanshanger Parish Council	1,284	5,624	6,908	S	
Deanshanger Primary	22,103	100,587	122,691	S*	
Delapre Primary School	33,796	153,058	186,854	S*	
Denfield Park Primary (NCC)	28,609	129,339	157,949	S*	
Denton Primary School	10,748	48,595	59,343	S*	
Desborough Town Council	2,191	8,562	10,754	S	
Duston Eldean Primary	22,610	104,095	126,705	S*	
Duston Parish Council	10,899	43,179	54,078	S	
Earls Barton Parish Council	1,365	6,033	7,398	S	
East Hunsbury Parish Council	4,388	30,513	34,901	S	
East Hunsbury Primary Academy	30,249	120,133	150,383	S	
East Midlands Leadership Centre	-	153,553	153,553	Y	Ad
East Northamptonshire District Council	384,947	1,794,468	2,179,415	S	
Eastfield Academy	11,677	36,666	48,343	S	
Easy Clean Contractors Limited (St Thomas More Catholic Primary)	202	882	1,084		Ad

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased	Body
	£		£		
Easy Clean Contractors Ltd (St Brendan Pri)	600	3,050	3,651		Ad
Ecton Brook Primary (Academy)	41,531	157,015	198,545	S	
Ecton Village Academy	4,416	18,442	22,858	S	
Elizabeth Woodville Academy	52,071	192,982	245,052	S	
emPSN Services Ltd	22,901	59,600	82,500		Ad
Exeter - a learning community	42,110	136,701	178,811	S	
Fairfields Special (NCC)	61,339	282,580	343,919		S*
Falconers Hill Academy	10,972	42,870	53,843	S	
Falconers Hill Infant School	14,025	51,917	65,941	S	
Farthinghoe Primary School	3,057	11,316	14,374	S	
Finedon Infants School	10,206	38,464	48,670	S	
Finedon Mulso CEVA Junior School	10,957	40,538	51,495	S	
Finedon Town Council	3,101	7,655	10,756	S	
Freemans Endowed Church of England Junior School	11,617	39,717	51,334	S	
Fresh Start Catering Limited	1,407	6,059	7,466		Ad
Friars Academy	39,912	140,392	180,305	S	
Futures Housing Group	27,917	320,497	348,414		Ad
G4S	14,318	33,054	47,372	Y	Ad
Gateway School (NCC)	28,152	123,076	151,229		S*
Glaphorn Church of England Primary School	7,220	27,061	34,281	S	
Grange Community Sch Acad (Kettering)	18,004	69,472	87,476	S	
Grange Park Parish Council	1,959	7,423	9,383	S	
Great Addington CEVA Academy	3,349	12,855	16,203	S	
Greatwell Homes	30,795	7,532	38,327		Ad

Management and Financial Performance (continued)

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased	Body
	£				
Green Oaks Academy	14,207	52,394	66,601		S
Greenfields Primary School and Nursery	21,070	72,490	93,560		S
Greenfields Sch & Sports College	53,859	195,470	249,329		S
Greens Norton Primary School	8,330	31,784	40,114		S
Gretton Primary (Academy)	6,919	26,616	33,535		S
GSO Limited (Prince William and Stimpson Avenue)	1,049	4,693	5,742		Ad
Guilsborough CEVA Primary School	8,051	30,475	38,526		S
Guilsborough School (Academy)	60,145	192,613	252,758		S
Hall Meadow Primary Academy	17,935	57,968	75,903		S
Hardingstone Academy	11,965	41,879	53,843		S
Harlestone Primary School (NCC)	4,663	21,705	26,368		S*
Hartwell Primary (Academy)	9,400	31,467	40,867		S
Havelock Infants	14,954	54,670	69,624		S
Havelock Junior	17,102	64,250	81,352		S
Hawthorn Community Primary	12,710	47,402	60,112		S
Hazel Leys Primary & Nursery School	16,533	70,166	86,698		S
Headlands Primary (Academy)	46,501	176,524	223,025		S
Henry Chichele Primary School (NCC)	17,829	82,030	99,860		S*
Higham Ferrers Junior School (NCC)	17,024	76,680	93,704		S*
Higham Ferrers Nur & Inf sch (NCC)	13,625	61,622	75,247		S*
Higham Ferrers Town Council	3,265	12,196	15,461		S
Highfield Nursery (NCC)	9,920	43,122	53,041		S*
Hopping Hill Primary (NCC)	33,902	105,697	139,599		S*

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased	Body
	£				
Hospital and Outreach Education PRU	15,349	55,325	70,673		S
Hunsbury Park Primary	23,032	105,014	128,046		S*
Huxlow Science Academy	50,883	190,131	241,013		S
IDVerde	46,867	152,481	199,347		Ad
Irchester Primary	23,931	98,591	122,522		S
Irthlingborough Junior School	26,384	98,478	124,862		S
Irthlingborough Nursery & Infants School	16,124	61,434	77,558		S
Irthlingborough Town Council	7,245	29,356	36,602		S
Isebrook College Academy	86,891	284,200	371,091		S
Isham CE Primary Academy	4,445	20,607	25,053		S
Islip Parish Council	-	2,500	2,500		Y S
Just Ask Estate Services Limited	6,698	29,448	36,146		Ad
Kettering Borough Council	1,012,996	4,116,706	5,129,703		S
Kettering Buccleuch Academy	85,494	253,689	339,183		S
Kettering Park Infants School	14,677	72,379	87,056		S
Kettering Park Junior School	22,744	92,355	115,100		S
Kettering Science Academy (including Compass Primary)	85,842	238,327	324,169		S
Kier (May Gurney Fleet & Passenger)	26,242	95,056	121,298		Ad
Kier (May Gurney Ltd)	34,284	48,808	83,093		Ad
Kier (May Gurney Nordis)	15,661	47,615	63,276		Ad
Kilsby Academy	6,146	21,977	28,122		S
Kings Heath Primary Academy	19,050	61,973	81,023		S
Kings Sutton Primary Academy	9,745	33,847	43,592		S

Management and Financial Performance (continued)

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased	Body
	£	£	£		
Kingsley Primary School	19,941	79,837	99,777		S
Kingsley School (Academy)	60,701	221,908	282,609		S
Kingsthorpe College Academy	71,009	240,641	311,649		S
Kingsthorpe Grove P (NCC)	35,851	165,804	201,655		S*
Kingswood Catering (Bridgstock Lathams)	343	1,597	1,940		Ad
Kingswood Catering (Little Harrowden Primary)	353	1,186	1,539		Ad
Kingswood Primary Academy	15,287	61,846	77,133		S
Kingswood Secondary Academy	71,400	285,716	357,116		S
Kislingbury CE Primary Academy	7,170	28,583	35,753		S
Latimer Arts College (NCC)	46,926	207,968	254,894		S*
Legacy Leisure Ltd	885	4,763	5,649		Ad
LGSS Law Ltd (NCC)	98,155	300,036	398,191		S
Lings Primary (Academy)	21,459	69,428	90,888		S
Little Harrowden Community Primary School	10,266	34,507	44,773		S
Loatlands Primary Academy	23,325	86,797	110,122		S
Loddington CE Primary School	6,928	22,146	29,074		S
Lodge Park Academy	39,910	149,893	189,803		S
Longtown Outdoor Learning Trust	2,887	61,609	64,495	Y	Ad
Lumbertubs Primary Academy	12,933	46,973	59,906		S
Magdalen College (Academy)	64,498	244,305	308,803		S
Malcolm Arnold Academy	32,442	101,771	134,213		S
Malcolm Arnold Prep (DRET)	15,102	47,800	62,902		S
Manor School (Academy)	47,248	150,027	197,275		S

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased	Body
	£	£	£		
Maplefields Academy	44,411	153,184	197,594		S
Mawsley Primary School	15,104	68,287	83,391		S*
Maxim Facilities Management Ltd	1,930	7,253	9,183		Ad
Meadowside Primary School	24,818	111,551	136,369		S*
Mears Ashby C of E Endowed School	3,934	12,893	16,827		S
Middleton Cheney Academy	19,804	69,398	89,202		S
Millbrook Infant School (NCC)	14,906	67,375	82,281		S*
Millbrook Junior School (NCC)	26,728	121,445	148,173		S*
Milton Parochial Primary School	4,234	18,079	22,313		S
Montsaye Academy	62,644	192,499	255,143		S
Moulton College	227,795	808,170	1,035,965		S
Moulton Parish Council	8,745	32,019	40,764		S
Moulton Primary School (NCC)	28,405	127,531	155,935		S*
Moulton School and Science College	66,533	214,946	281,479		S
Naseby Academy	3,261	11,741	15,002		S
Newnham Primary Academy	5,126	20,892	26,018		S
Newton Road School (formerly Risdene Academy)	28,903	93,834	122,737		S
Nicholas Hawksmoor (Academy)	38,553	129,712	168,265		S
Northampton Academy (ULT)	76,247	216,075	292,322		S
Northampton Borough Council	712,226	5,645,057	6,357,283		S
Northampton College	362,262	1,294,647	1,656,910		S
Northampton High School (Girls' Day School Trust)	21,378	135,501	156,879		Ad
Northampton International Academy	53,297	198,995	252,292		S

Management and Financial Performance (continued)

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased	Body
	£		£		
Northampton Partnership Homes Ltd	534,631	3,000,365	3,534,996		S
Northampton School for Boys	80,723	268,001	348,724		S
Northampton School for Girls Academy	61,183	233,898	295,081		S
Northampton Theatres Trust Ltd	14,221	150,273	164,494		Ad
Northamptonshire Carers	5,202	19,615	24,817		Ad
Northamptonshire County Council	6,688,164	25,953,888	32,642,052		AA
Northamptonshire Fire & Rescue Service	156,209	421,420	577,629		S
Northamptonshire Sport	18,745	46,993	65,738		Ad
Northants Chief Constable	1,728,178	5,438,377	7,166,555		S
Northants Music & P/A Trust	4,219	3,162	7,381		Ad
Northants Police & Crime Commissioner	121,059	340,805	461,864		S
Northgate Sch Arts (Academy)	97,131	335,622	432,753		S
NSL Ltd	3,559	-	3,559		Ad
Oakley Vale Academy	16,358	50,103	66,461		S
Oakway Academy	24,817	99,618	124,435		S
Old Stratford Primary School	10,396	42,178	52,574		S
Olympic Primary School Academy	17,408	64,189	81,597		S
Oundle CE Primary School	19,261	65,737	84,998		S
Oundle Town Council	3,786	14,896	18,683		S
Our Lady of Walsingham	22,396	77,184	99,580		S
Our Lady's Catholic Primary School	23,487	106,850	130,337		S*
Overstone Primary School	7,654	34,913	42,567		S*
Park Junior School	20,578	92,419	112,998		S*

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased	Body
	£		£		
Parklands Primary School	12,879	48,138	61,017		S
Parkwood Leisure Ltd	1,330	5,367	6,696		Ad
Paulerspury CoE Primary (NCC)	9,846	29,466	39,312		S*
Pboro Diocese Ed. Trust (HQ)	47,504	122,730	170,234		S
Pineham Barns Primary School (Free School)	12,612	40,889	53,500		S
Pitsford Primary School	3,029	14,101	17,130		S*
Places For People Leisure Management Ltd	5,484	443	5,927		S
Polebrook Church of England Primary	615	3,332	3,946		S
Polebrook CofE Primary (NCC)	3,328	16,115	19,443	Y	S*
Preston Hedge's Primary (Acade)	26,231	84,374	110,604		S
Prince William Academy	18,425	90,138	108,563		S
Priors Hall – A Learning Community	21,338	76,743	98,080		S
Prospects Services	8,131	-	8,131		Ad
Purple Oaks Academy	27,628	106,655	134,283		S
Pytchley Endowed CEVA Primary School	5,691	26,568	32,260		S
Queen Eleanor Primary Academy	15,803	61,920	77,724		S
Raunds Park Infant School Academy	7,390	33,797	41,187		S
Raunds Town Council	4,635	25,047	29,682		S
Rectory Farm Primary Academy	15,516	56,607	72,123		S
Redwell Primary School (NCC)	32,262	145,948	178,210		S*
Ringstead CofE Primary Academy	6,312	25,278	31,590		S
Road Primary School	14,811	67,306	82,117		S*
Rockingham Forest Trust	4,658	10,027	14,685		Ad

Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased Body
Rockingham Primary Academy	14,709	53,512	68,221	S
Rothwell Junior School	15,530	58,111	73,642	S
Rothwell Town Council	1,036	4,160	5,196	Ad
Rothwell Victoria Infants School	15,255	56,104	71,359	S
Rowan Gate Primary (NCC)	79,050	353,882	432,932	S*
Rushden Academy	42,599	149,225	191,824	S
Rushden Primary Academy	16,541	58,865	75,406	S
Rushden Town Council	18,072	67,103	85,175	S
Rushton Primary Academy	5,880	22,056	27,936	S
Ruskin Infant School and Nursery	4,810	19,407	24,217	S
Ruskin Junior Academy	14,694	60,189	74,883	S
Shaw Healthcare	8,913	266	9,179	Ad
Silverstone CE Primary Academy	7,626	37,642	45,267	S
Silverstone UTC	29,666	73,264	102,930	S
Simon de Senlis Primary Academy	22,170	87,432	109,602	S
Sir Christopher Hatton Academy	66,467	204,729	271,195	S
South End Infant Rushden (NCC)	19,553	88,884	108,437	S*
South End Junior Rushden (NCC)	27,059	85,263	112,322	S*
South Northants Council	459,305	2,187,391	2,646,695	S
South Northants Homes	91,404	445,596	536,999	Ad
Southfield Primary Academy	10,230	44,410	54,640	S
Southfield School for Girls Academy (Kettering)	38,217	133,100	171,317	S
Sponne School (Academy)	80,762	260,679	341,441	S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased Body
Spratton CE Primary School	2,630	10,519	13,148	S
Spring Lane Primary Academy	19,986	73,174	93,160	S
Spurgeons (Northampton North)	656	2,517	3,173	Y Ad
St Andrews Primary Academy	19,436	65,408	84,844	S
St Barnabas	11,502	44,968	56,470	S
St Brendan's Catholic Primary School	11,392	51,398	62,790	S
St Edwards Catholic Primary	10,929	46,841	57,770	S
St Gregory's Catholic Primary School	24,821	93,527	118,348	S
St James CE Primary School	37,713	137,128	174,841	S
St James Infant School	14,270	48,629	62,899	S
St Loy C of E Primary Academy	3,851	15,616	19,467	S
St Luke Academies Trust HQ staff	19,797	60,869	80,666	S
St Lukes CEVA Primary School Academy	17,704	70,765	88,469	S
St Marys Catholic Primary School	11,754	45,690	57,444	S
St Mary's CEVA Pri Acad Kettering	17,161	65,364	82,525	S
St Mary's Pri Acad, Burton Latimer	19,335	72,183	91,518	S
St Patrick's Primary (NCC)	15,333	68,622	83,955	S*
St Peter's C of E Academy	9,286	34,175	43,462	S
St Thomas More Catholic Primary School (NCC)	10,118	43,395	53,513	S
Standens Barn Primary School Academy	19,743	74,972	94,715	S
Stanwick Parish Council	1,083	4,743	5,826	S
Stanwick Primary School	8,789	37,714	46,504	S
Staverton CofE Pri Academy	5,854	26,628	32,482	S

Management and Financial Performance (continued)

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased	Body
	£		£		
Stimpson Avenue Primary Academy	17,032	65,811	82,843		S
Studfall Infant School & Nursery Academy	24,856	102,959	127,815		S
Studfall Junior School Academy	27,468	119,070	146,539		S
Sunnyside Primary (Academy)	11,429	48,366	59,795		S
Sywell CEVA Primary	4,829	22,249	27,078	Y	S
Taylor Shaw (The Ferrers School)	5,264	19,927	25,191		Ad
The Abbey Primary School Academy	15,348	57,495	72,842		S
The Arbours Primary (Academy)	16,963	54,594	71,557		S
The Avenue Infants School (NCC)	14,102	63,413	77,515		S*
The Bramptons Primary School	4,503	20,799	25,302		S*
The Childrens Trust	743,522	2,259,533	3,003,055		S
The Coombs Catering Partnership (The Good Shepherd Primary Academy)	584	2,618	3,202		Ad
The Duston School (Academy)	74,051	237,949	312,001		S
The Ferrers School Academy	43,346	152,732	196,078		S
The Good Shepherd Catholic Primary Academy	14,160	59,884	74,044		S
The Parker E-ACT Academy	169,819	397,951	567,770	Y	S
The Radstone Primary School	4,115	11,794	15,909	Y	S
The Red Kite Academy	45,245	141,240	186,485		S
The Spires Academy	11,795	44,171	55,966		S
The University of Northampton	1,089,102	3,992,109	5,081,211		S
Thomas Becket Catholic Academy	26,568	111,360	137,928	Y	S

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased	Body
	£		£		
Thorplands Primary (Academy)	19,670	72,404	92,073		S
Thrapston Primary School (NCC)	29,329	132,133	161,462		S*
Thrapston Town Council	2,803	10,471	13,274		S
Towcester CE Primary School (Acad)	15,468	73,380	88,848		S
Towcester Town Council	5,655	23,081	28,735		S
Trinity CE Primary School	5,916	23,476	29,392		S
TTC 2000 Limited	1,439	4,493	5,932		Ad
Uni of Northampton Enterprises	27,463	64,883	92,346		Ad
Unity Leisure Trust	52,556	-	52,556		Ad
Upton Meadows	27,678	111,553	139,231		S
Upton Parish Council	993	4,622	5,615		S
Veolia UK Ltd	61,695	246,965	308,660		Ad
VERNON TERRACE PRIMARY (NCC)	22,337	97,563	119,899		S*
Victoria Primary Academy	24,390	82,282	106,671		S
Voice for Victims and Witnesses Ltd	21,853	78,477	100,329		Ad
Walgrave Primary School	8,025	37,475	45,500		S*
Warwick Primary Academy	18,066	59,932	77,998		S
Waynflete Infants' (Academy)	7,159	33,594	40,753		S
Weavers Academy	63,269	226,598	289,867		S
Weedon Bec Academy	20,858	75,158	96,016		S
Weedon Bec Parish Council	1,290	5,648	6,938		S
Weldon Parish Council	-	506	506	Y	S
Weldon Primary Academy	8,389	37,935	46,324		S
Welford, Sibbertoft and Sulby Endowed School	3,599	15,532	19,131		S

Management and Financial Performance (continued)

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased	Body
	£	£	£		
Borough Council of Wellingborough	237,285	1,861,990	2,099,276		S
Wellingborough Norse Limited	67,860	-	67,860		Ad
Welton C of E Primary (Academy)	5,975	20,157	26,132		S
West Haddon Parish Council	2,051	9,410	11,461		S
Weston Favell Academy	59,010	203,140	262,151		S
Weston Favell Primary (Academy)	29,340	105,492	134,832		S
Whitefriars Primary School	22,978	103,754	126,733		S*
Whitehills Primary (NCC)	18,739	86,178	104,916		S*
Wilbarstey Primary Academy	6,475	19,392	25,867		S
Windmill Primary School Academy	19,697	74,715	94,412		S
Wollaston Primary Academy	12,386	46,332	58,717		S
Wollaston School (Secondary)	54,166	220,219	274,385		S
Woodford CofE Primary School Academy	4,815	20,135	24,949		S
Woodford Halse CE Primary Academy	14,957	50,986	65,943		S
Woodland View Primary Academy	18,960	73,307	92,268		S
Woodnewton - a learning community	58,188	178,703	236,891		S
Woodvale Primary (Academy)	21,155	69,956	91,111		S
Wootton Parish Council	6,592	27,951	34,542		S
Wootton Park School	48,886	137,825	186,710		S
Wootton Primary (Academy)	21,212	77,922	99,134		S
Wren Spinney Community Academy	32,468	143,219	175,687		S
Wrenn School Academy	65,183	239,512	304,695		S
WSP Management Services Ltd	45,029	-	45,029		Ad
Yardley Hastings Primary School	7,731	35,990	43,721		S*
Grand Total	23,431,037	92,880,326	116,311,363		

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) a requirement to invest fund money in a wide variety of investments;
- b) the Fund's assessment of the suitability of different types of investments;
- c) the Fund's approach to risk, including the ways in which risks are assessed and managed;
- d) the Fund's approach to pooling investments;
- e) the Fund's policy on how social, environmental and corporate governance considerations are taken into account; and
- f) 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. Over the last year the Pensions Committee, Local Pensions Board, Fund officers and professional advisors have worked together to carry out a review of the Fund's existing ISS. As part of this wide-ranging review, a specific focus was placed on the topic of responsible investment, including the responsible investment

responsible investment beliefs of the Pensions Committee and Local Pension Board members and the opportunity has been taken to propose a strengthening of the Fund's responsible investment beliefs and policies with respect to Climate change. The review led to the development of an enhanced and expanded Responsible Investment Policy, which has been included in the new draft ISS. The Fund is running a consultation with relevant stakeholders regarding the revised ISS and expect the final version to be approved and published later in 2021.

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 supports the principles of the UK Stewardship Code (the "Stewardship Code") and will be working with the Fund's Advisors to assess the impact of the "apply and explain" Principles of the revised 2020 UK Stewardship Code.

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

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.

Investment Policy and Performance (continued)

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 31st March 2021, the ACCESS Pool has significant scale with assets of £56bn (of which 57% has been pooled) serving 3,400 employers with 1.1 million members including 300,000 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 2021, the Northamptonshire Fund had invested £1,287m in sub-funds of the ACCESS Authorised Contractual Scheme and £971m in the UBS passive arrangement resulting in £2,258m of assets under pool management representing 73.1% of the Fund’s assets.

During 2021-22 the Fund expects to invest in fixed income sub-funds of the ACS when they become available. The focus for ACCESS in 2021-22 is to continue work performed in 2020-21 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 due to the reduction in manager numbers and an increase in mandate size, 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 for funds moving from pooled funds to segregated mandates in the pool’s tax transparent ACS. For some asset classes such as global equities tax savings alone are material relative to additional costs of implementing pooling.

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 12 to the Statement of Accounts and comprises the following:

Operational Costs	2020-21 £000	2015-16 to 2020-21 Cumulative £000
Strategic & Technical	26.4	129.0
Legal	13.4	97.0
Project Management	0.0	81.1
ACCESS Support Unit	34.7	115.6
Other	3.9	26.7
Total Operational Costs	78.4	449.4

Cost Savings

The fee savings for the 2020-21 financial year resulting from the asset pooling agenda exceed £1.443m.

Cost Transparency

The analysis below shows the investment expenses incurred during financial year 2020-21 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	4,376	-413	3,963	3,294	1,236	4,530		8,493
Performance Fee	0	0	0	1,539	320	1,859		1,859
Transaction taxes	0	0	0	406	89	495		495
Broker commissions	0	154	154	76	90	166		320
Other explicit costs	0	214	214	31	160	191		405
Implicit/indirect transaction costs	0	5,976	5,976	60	2,348	2,408		8,384
Administration	136	95	231	552	259	811		1,042
Governance and Compliance	0	16	16	271	135	406		422
Other	126	-88	38	61	2,347	2,408		2,446
Total	4,638	5,954	10,592	6,290	6,984	13,274		23,866

Investment Policy and Performance (continued)

Investment Allocation and Performance

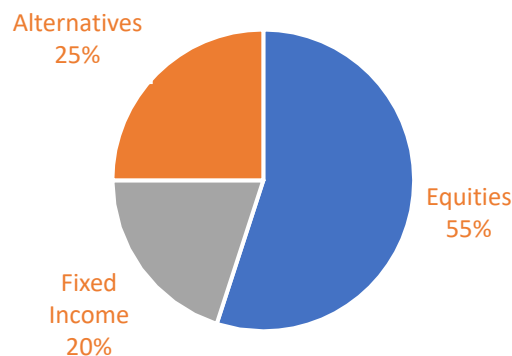
The Pension Fund Committee is responsible for approving the Strategic Asset Allocation proposed by the Investment Sub-Committee (ISC). The ISC performed a full review of the Strategic Asset Allocation during 2018-19 in conjunction with the Fund's Investment Consultants, Mercer Ltd and independent Investment 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

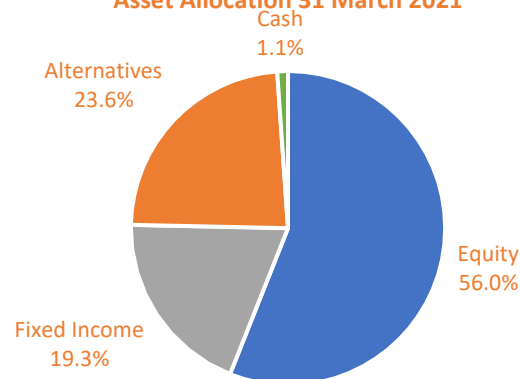
The strategy approved by the Pension Committee in December 2018 aimed to reduce the Fund's reliance upon, and the associated risks, of a large allocation to equities whilst retaining sufficient exposure to growth assets. The strategy focused on a reduction in equities and an increase in Alternative assets (such as Private equity and Infrastructure) and a flexible allocation to fixed income. The ISC subsequently reviewed the regional mix within the equity allocation and as a result reduced the exposure to UK Equities in conjunction with the roll-out of sub-funds offered by the ACCESS pool ACS.

The charts below show the Strategic Asset Allocation at the close of the financial year compared to the actual allocation of assets at 31 March 2021.

Strategic Allocation at 31 March 2021



Asset Allocation 31 March 2021



Investment Policy and Performance (continued)

Value of Investments held by each of the Fund's Investment Managers on 31 March 2020 and 31 March 2021:

Manager	£million	31 March 2020 % of Total	£million	31 March 2021 % of Total
Majedie UK Equity	179.3	7.5	278.3	9.0
UBS UK Passive Equity	19.2	0.8	24.5	0.8
Newton Global Equity	207.9	8.7	284.1	9.2
Baillie Gifford - Long Term Global Growth	244.8	10.2	259.5	8.4
Longview Global Equity	184.0	7.7	250.7	8.1
UBS Passive Global Equity	454.4	19.0	634.7	20.5
UBS Index Linked Gilts	259.7	10.9	311.8	10.1
BlueBay	-	-	143.1	4.6
M&G Alpha Opportunities	-	-	142.3	4.6
Wellington	177.9	7.4	-	-
CBRE Property	202.1	8.4	204.5	6.6
UBS Property	0.3	0.0	-	-
Baillie Gifford – Diversified Growth	260.2	10.9	214.4	7.0
M&G Residential Property	44.3	1.9	44.5	1.4
HarbourVest	29.4	1.2	68.9	2.2
Adams Street	19.5	0.8	44.0	1.4
AMP Capital	35.2	1.5	38.1	1.2
Allianz	17.1	0.7	20.1	0.7
IFM Infrastructure	46.7	2.0	48.1	1.6
JP Morgan	-	-	45.6	1.5
Catapult	0.3	0.0	0.5	0.0
Cash	10.4	0.4	33.8	1.1
Total	2,392.7	100.0	3,091.5	100.0

Investment Policy and Performance (continued)

Total Fund Performance

The total investment return for the Fund over the financial year was 27.0% net of fees compared with a weighted benchmark return of 22.9%. In the previous year the total investment return was -4.7% compared with a weighted benchmark of -4.5%. The Fund's total investment return was 9.1% p.a over the three years to 31 March 2021, 10.2% p.a over the five years to 31 March 2021, and 8.6% p.a over the ten years to 31 March 2021.

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
Majedie UK Equity	32.2	26.7	5.5	2.6	3.2	-0.6	7.9	6.0	1.9
Newton – Global Equity	36.2	38.9	-2.7	14.9	12.7	2.2	12.1	10.8	1.3
Baillie Gifford - Long Term Global Growth	85.0	38.9	46.1	n/a	n/a	n/a	n/a	n/a	n/a
Longview Global Equity	35.9	38.4	-2.5	n/a	n/a	n/a	n/a	n/a	n/a
UBS – Passive Global Equity	39.0	38.9	0.1	12.0	12.0	0.0	10.0	n/a	n/a
UBS – Index-Linked Gilts	-2.7	-2.6	-0.1	2.5	2.5	0.0	n/a	n/a	n/a
Baillie Gifford – DGF	17.8	3.6	14.2	2.7	4.1	-1.4	n/a	n/a	n/a
CBRE – Property	-1.4	2.5	-3.9	0.7	2.4	-1.7	6.4	7.4	1.0
M&G – Residential Property	0.3	6.0	-5.7	n/a	n/a	n/a	n/a	n/a	n/a
HarbourVest – Private Equity	10.8	39.1	-28.3	10.8	14.0	-3.2	n/a	n/a	n/a
Adams Street – Private Equity	40.5	39.1	1.4	22.0	14.0	8.0	n/a	n/a	n/a
AMP Capital – Infrastructure Debt	0.0	10.0	-10.0	0.7	10.0	-9.3	n/a	n/a	n/a
Allianz – Infrastructure Debt	12.6	4.0	8.6	n/a	n/a	n/a	n/a	n/a	n/a
IFM Infrastructure	3.0	10.0	-7.0	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

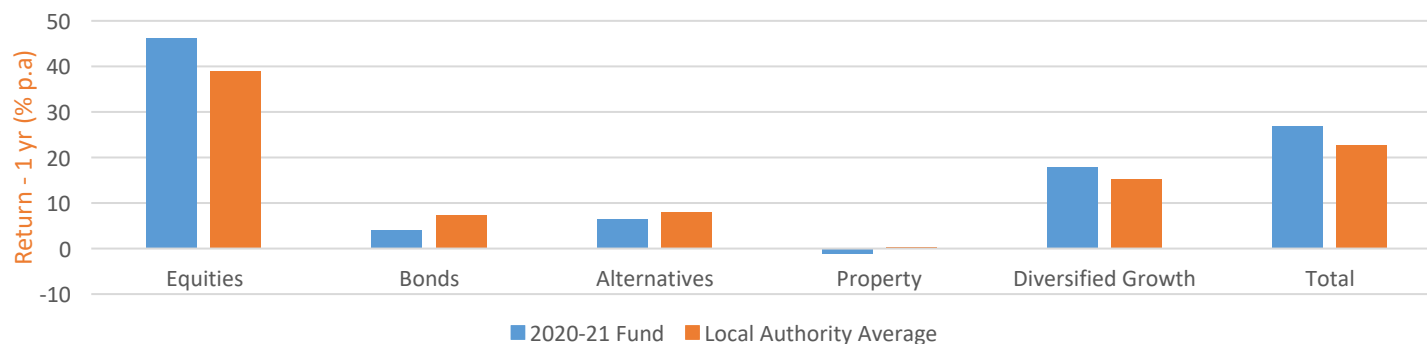
Investment Policy and Performance (continued)

Performance in Comparison with Local Authority Universe

The Local Authority Universe is a national scheme consisting of 64 pension funds collated by PIRC Ltd that provides benchmarking of local authority pension funds investment performance.

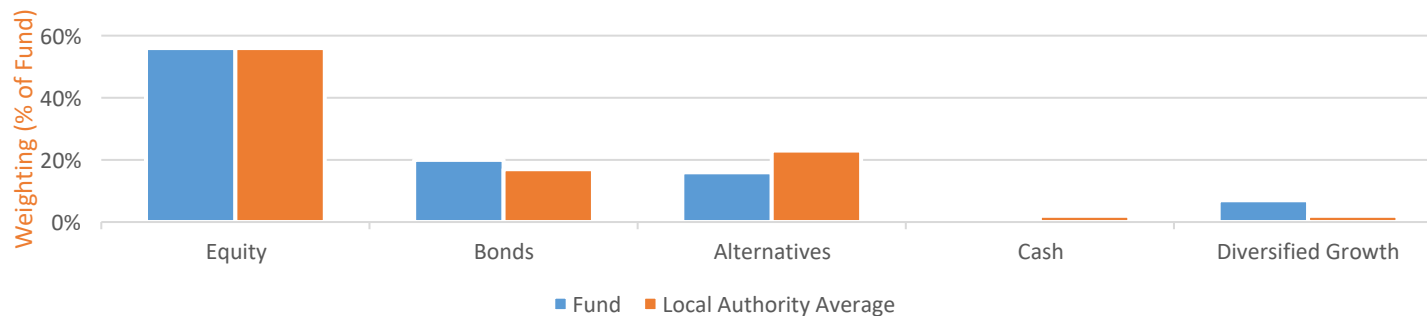
In 2020-21 the Fund's performance of 27.0% net of fees over the financial year was ranked 33rd percentile out of the 64 Funds participating in the Universe. The investment return achieved was influenced by the Fund's holding of a higher proportion of Global Equities.

Investment Return compared to Local Authority Universe



The Fund's current strategy has a equal allocation to Equities and a lower allocation to Alternatives when compared to the Local Authority Universe, however the revised investment strategy, for which implementation started during 2019-20, will change the profile of the Fund's assets resulting in an increased allocation to Alternatives.

Investment Allocation compared to Local Authority Universe



Investment Policy and Performance (continued)

Investment Review – Financial Year to 31st March 2021

“If history repeats itself, and the unexpected always happens, how incapable must Man be of learning from experience.” George Bernard Shaw

Despite previously having had a global health crisis in the form of the Spanish Flu pandemic of 1918, and a more recent reminder in the form of the SARS outbreak in Asia in 2003, the current Covid-19 pandemic caught almost every person, business and government by surprise. Setting aside the tragic human cost – which continues to grow in certain parts of the world, notably India – the financial cost has also been significant to those same people, businesses and governments.

The near shutdown of the global economy at the end of the Fund’s previous financial year was only the beginning of the widespread turmoil associated with trying to deal with the many-faceted global health crisis. However, stock markets have – for the most part – rebounded close to their pre-Covid levels; indeed the FTSE 100 Index is currently sitting at just less than 10% off its highest level of pre-Covid 2020, which reflects a relatively rapid turnaround from the 30% drop it experience in March 2020.

Region	Index	12 month % return GBP
UK	FTSE All Share	26.7
Europe	FTSE Europe X UK	34.9
US	S&P 500	40.5
Japan	TOPIX	24.8
Asia	MSCI AC Asia ex Japan	41.4
Emerging Markets	MSCI Emerging Markets	42.3

Source: Thomson Reuters Datastream

The US market rallied even more strongly and more quickly than that, with the S&P 500’s journey from a record high to a bear market (defined as a drop of 20% or more), back to a new record high taking just 126 trading days, the fastest-ever such climb. There are any number of possible reasons behind the fastest-ever swoon and recovery in the US, but high economic hopes, ‘tech’ stock dominance and the return of retail stock investors - confined to their homes during lockdown and looking for stimulation - are three of the more persuasive ones.

One possible reason for the better-than-anticipated performance of global equity markets in general was the apparent lack of en-masse equity selling by institutional investors as the crisis unfolded. Alternatives for equity investors caught in the pandemic-induced market falls were hard to find, as

- government bonds remained relatively expensive in historic terms;
- corporate bonds recovered relatively quickly, closing the Covid-created credit spread over government debt;
- real estate suffered from systemic illiquidity and the disastrous effect of lockdown on the retail sector; and
- commodities such as oil took a beating from the worldwide collapse in demand.

A combination of these factors saw most equity investors sit tight, having no attractive, immediately-accessible alternative home for their capital. As a result, there was no obvious panicked fire sale of listed assets; so, supply did not swamp demand and place investor-driven downward pressure on already wobbly equity market prices. The Fund, quite rightly, demonstrated a steady hand on the tiller in turbulent waters, sticking to its long term investment strategy – a decision which can already been seen to be very wise, given the ultimate equity returns for the year.

Investment Policy and Performance (continued)

Pandemic Winners and Losers

The pandemic shone a spotlight on the ‘disaster recovery’ plans of all organisations; the contingency plans (previously made on the remote chance that an event would pose a significant operational hindrance to companies) became activated, and it quickly became clear that companies that conducted a significant amount of their work and commerce in a digital manner were well placed to get back up and running more quickly than their peers that for the most part operated in the ‘real’ world.

Dealing with a global pandemic changed our shared version of the world in any number of ways, some big and some small. The previously-mentioned tech companies were the highest profile beneficiaries, as more people worked from home, needing laptops, webcams and Zoom (online video conferencing) subscriptions. Lockdowns around the world also helped markedly improve the fortunes of companies that had e-commerce capabilities – with the biggest beneficiary, arguably, being Amazon, which recently announced a tripling of profits as the pandemic significantly accelerated the already growing trend for online shopping.

The main losers were companies that operated in the real (as opposed to the digital) world, with the biggest brunt of pandemic-induced restrictions being borne by the ‘bricks and mortar’ retail, hospitality and travel sectors. Shops, pubs and restaurants were closed for extended periods, hotels lay empty and global commercial air travel all but ground to a halt. One particularly depressing effect of Covid-19 on these sectors was the impact it had on casual, seasonal and part-time low paid employees, who have arguably been hit harder than any other socio-economic group.

Desperate Measures

In the UK, the Government introduced a furlough scheme to help companies pay their employees and therefore prevent a massive rise in unemployment - and also provided additional funding via a range of schemes to businesses to help them stay afloat.

All of this additional spending from the Government had to come from somewhere; the Office for Budget Responsibility (OBR) - which keeps tabs on government spending – recently said that Government borrowing for the year to April 2021 would be £355 billion, which is the highest figure ever seen outside wartime. As a result public sector net debt was £2,141.7 billion at the end of March 2021 - or around 97.7% of the UK’s gross domestic product (GDP), maintaining a level not seen since the early 1960s.

Asset Type	Index	12 month % return
UK Government Bonds	FTSE A Over 15 Year Gilts Index	(10.4)
UK Index Linked Bonds	FTSE A Over 5 Year Index Linked Gilts Index	2.6
Global Bonds	Merrill Lynch Global Broad Market index	(7.0)
UK Property	MSCI All Balanced Property Funds Index	2.5

Source: Thomson Reuters Datastream

Opening the world back up relies heavily on the global Covid-19 vaccination programme, and incredible progress has been made in the last year, from a standing start, by a number of countries inoculating their citizens (the UK with 23% of the population fully vaccinated, Israel with 56% and Chile with 36%). However, there are many countries that are struggling with access to vaccinations, and the logistics of getting them to their citizens. There is a real danger that developed nations will be the ‘winners’, in terms of opening up first; it is, however, important to remember that mutations of the virus can occur anytime and anywhere, and the longer it takes to vaccinate everyone, the greater the risk that we might go through all of this pain again.

Main Street vs Wall Street

An unexpected pandemic winner/loser combination hit the headlines in the US at the turn of the year; the battle between hordes of retail investors and Wall Street hedge funds over the fate of a bricks and mortar retailer, GameStop. This conflict generated some of the year’s most memorable financial

Investment Policy and Performance (continued)

reporting, with the day traders (predominantly operating on the Robinhood online trading platform) winning the battle, causing losses of close to \$13 billion for the hedge fund short sellers of GameStop. The latter had hoped the stock price would go down, to make their returns, but instead the former pushed demand for the stock to stratospheric levels, driving the price up from \$12 a share on 12th January to almost \$350 just 15 days later.

Then came a great furore around Robinhood's subsequent decision to stop clients trading GameStop stock for a period (which was reportedly due to regulatory capital issues, rather than the rumoured pressurising of Robinhood by the hedge funds to restrict trading), which caused significant losses for some of the retail investors, and ended with hearings on the matter by the House Financial Services Committee of the US Congress.

Ultimately, it remains to be seen if this was more than just a limited action, facilitated in part by the pandemic lockdown. It did, however, neatly demonstrate the power of social media – particularly the Reddit platform – in facilitating co-ordinated action between disparate groups of investors. It is unlikely that retail investors would win any 'war' against the larger asset managers and banks, but many will feel that the pain experienced by Wall Street in this battle was payback for the absence of pain it alone felt after the 2008 financial crisis.

Brexit

The UK formally left the European Union on 31st January 2021, bringing to a close the 'end of the beginning' in the departure process. Having now finally left, a period of relative calm initially descended. Many of the worst case predictions – 7,000 lorries queuing on motorways, food rotting at border posts, the flow of critical medicines being disrupted - failed to materialise.

With the issue of Brexit having been ongoing since June 2016 (when the result of the public referendum was announced), financial markets have been reacting to it on an ongoing basis, following every twist and turn of the negotiations between the UK and the EU, and pricing in a lot of bad news. Indeed Sterling's decline against the Dollar caused (arguably) by Brexit is almost of the same magnitude as its fall against the Dollar in the Global Financial Crisis of 2008.

Whatever one's personal views, it is clearly too soon to tell whether Brexit will ultimately be good or bad for the UK. Recriminations over the AstraZeneca Covid-19 vaccine supply delay to the EU, the continued uncertainty over the border situation between Northern Ireland and the Republic of Ireland, and protesting French fishermen off the coast of Jersey are indicators that things are going to be tense for the foreseeable future. Sadly for all concerned, the Brexit saga is not over – indeed, it might actually just truly be starting.

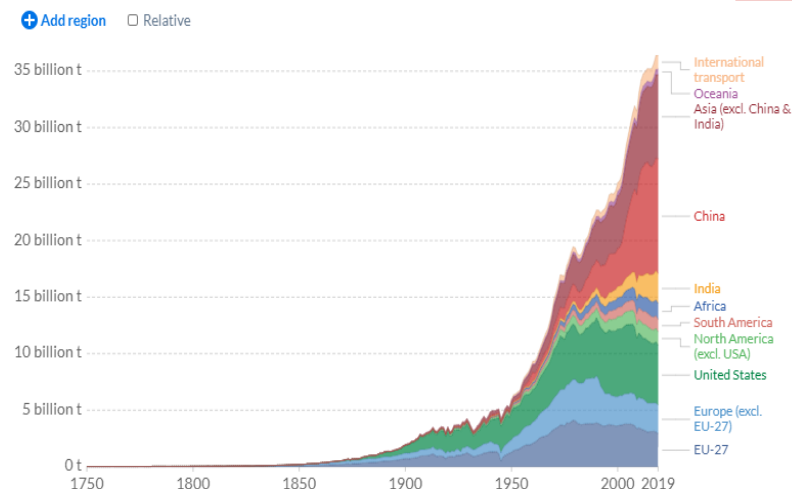
Climate Action?

With the arrival of President Biden in the White House in January 2021 following his successful election win in November 2020, a more positive overall tone was set by his Administration, in stark contrast to his predecessor. The 'America First' doctrine of President Trump was replaced by immediate signs of America re-engaging with the world. One of the first acts carried out by President Biden was for the US to re-join the Paris Climate Agreement - the very same agreement from which his predecessor withdrew barely 2 months beforehand. And whilst the US represents 'only' around 15% of global greenhouse gas emissions, reengaging on the climate change issue was very significant for investors such as the Fund with significant sums invested in US companies – who are notorious laggards when it comes to acknowledging, let alone starting to quantify and address, their impact on the planet's climate.

At a (virtual) meeting of the UN General Assembly in September 2020, Chinese President Xi Jinping said the country planned "to have CO2 emissions peak before 2030 and achieve carbon neutrality before 2060". This was Beijing's first formal announcement of a long-term plan to lower carbon emissions within a fixed timeline, and is arguably more important to all of us than the US re-joining the Paris Agreement. Given China's extensive use of coal fired power stations and significant heavy industry sector, this step has the potential to be very significant in terms of the global move to a low carbon global economy. However – as with all commitments made by nations to lower carbon emissions – no immediate meaningful action was proposed. And, despite the reduction of global carbon emissions due to the pandemic, the human race continues to pump billions of tonnes of carbon into the earth's atmosphere.

Investment Policy and Performance (continued)

Annual total CO₂ emissions, by world region



Source: Our World in Data based on the Global Carbon Project
 Note: This measures CO₂ emissions from fossil fuels and cement production only - land use change is not included. 'Statistical differences' (included in the GCP dataset) are not included here.

Responsible Investing

Climate change and 'ESG' – Environmental, Social and Governance – factors became increasingly prominent in the minds of institutional investors in the last year, with the topic gathering pace and increasing further in importance for investors with long-term time horizons such as the Fund. Almost all long term investors – including Northamptonshire – are devoting increasing time and effort to identifying and addressing these ESG issues, for the long term financial benefit of scheme beneficiaries. During the year, the Pensions Committee, Investment Sub-Committee and Officers worked on developing a new Responsible Investment ('RI') policy for the Fund, which sets out how ESG factors such as climate change will be addressed in the investment arrangements of the Fund. The new policy is currently out for consultation, and will be submitted for approval by the Pensions Committee later in 2021.

Fund Investment Performance

	1 Year Performance	3 Year Performance (p.a.)	5 Year Performance (p.a.)
Northamptonshire Pension Fund	27.0%	9.1%	10.2
Fund Benchmark	22.9%	8.2%	9.6

The Fund returned 27% for the year to 31st March 2021, outperforming the benchmark return of 22.9%. This outperformance was primarily due to the Fund's equities investments delivering strong bounce-back returns, and within the equity allocation two of the Fund's managers – Majedie and Baillie Gifford – delivered above benchmark returns, with the latter having a particularly outstanding year.

The Fund's fixed interest allocation also delivered above-benchmark returns, with the newly appointed M&G performing well from the start of their mandate. The Fund's exposure to Alternatives saw mixed results across different areas; the Adams Street private equity investments performed strongly but CBRE's property investments had a tough time, with Covid lockdowns being a particularly strong negative performance factor.

On the whole, it is pleasing to report that the Fund is performing ahead of its benchmark over the 1, 3 and 5 year time periods.

Investment Strategy

Readers of the Fund's previous Annual Reports may recall that the Fund undertook a formal review of its investment strategy in the 2018/19 financial year. These reviews occur every three years, following on from the triennial Actuarial Valuation, and present opportunities for 'tweaks' to the Fund's long-term investment strategy, rather than requiring radical surgery. The investment approach taken by the Fund has evolved over time to reduce dependency on equities (which, as the last year has proven, can be very volatile), and to allocate some of that capital to other asset classes. The current investment strategy represents a sensible diversification of investment risk, whilst keeping the need to generate sufficient returns to pay the benefits in mind and being mindful of the long term nature of investing.

Investment Policy and Performance (continued)

Outlook

If your only source of information were the financial markets, you would almost certainly have formed the view that the world had successfully tackled the Covid-19 pandemic, and is almost back to business as usual. As someone who experienced the 'Dot Com Bubble' of 2000, and the Great Financial Crisis of 2008 whilst working as an investment professional, the current market levels after such a market shock seem unwarranted. Whilst many companies have done relatively well – despite the pandemic – and in some instances are sitting on cash piles, many have not. 'Back to normal' is, in my opinion, not something we have as yet achieved.

There are many potential stumbling blocks ahead in the short term – virus mutations, more lockdowns, continuing restrictions on movements of people and goods around the world, and slow or non-existent vaccination programmes being the ones that come to mind in relation to the pandemic. Looking beyond that - Chinese policy towards Hong Kong, US-Chino relations, Russia's ongoing cyber meddling, Brexit (still), UK Government debt of 98% of GDP, Europe's double dip recession, potentially rising inflation.....

The benefit of being a long term investor like the Fund is that it has the capacity to ride out market shocks, and it has an investment strategy that does not seek to put all of its eggs in one basket. As a new member of the Fund's Investment Sub Committee, it has been heartening to come on board to find things in very good shape. The outgoing Pensions Committee, Investment Sub Committee, previous Independent Investment Advisor and Officers should be thanked for doing a good job in difficult times. I look forward to contributing to the on-going good stewardship of the Fund.

Actuarial Information

Northamptonshire Pension Fund (“the Fund”) Actuarial Statement for 2020-21

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 2020. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- 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 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 return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. 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 still at least a 70% likelihood that the Fund will return to full funding 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 2019. This valuation revealed that the Fund’s assets, which at 31 March 2019 were valued at £2,502 million, were sufficient to meet 93% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £176 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers’ contributions for the period 1 April 2020 to 31 March 2022 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 2019 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 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	3.9%
Salary increase assumption	2.8%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's Vita Curves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.5 years	23.7 years
Future Pensioners*	22.3 years	25.1 years

*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but in the 2020-21 year they recovered strongly. As a result, the funding level of the Fund as at 31 March 2021 is likely to be an improvement to that reported at the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

Robert McInroy FFA

6 May 2021

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 2019. 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 2019 in respect of benefits earned by members up to this date (along with a comparison at the last formal valuation at 31 March 2016).

Valuation Date	31 March 2016 (£m)	31 March 2019 (£m)
Past Service Liabilities	2,388	2,679
Market Value of Assets	1,871	2,502
Surplus/(Deficit)	(517)	(176)
Funding Level	78%	93%

The improvement in funding position between 2016 and 2019 is mainly due to strong investment performance over the inter-valuation period, coupled with the positive impact on the liabilities of actual pay and benefit growth being lower than expect.

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.

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 2020 to 31 March 2023 are shown in the Rates and Adjustment Certificate.

Primary Rate (% of pay)	Secondary Rate (£)		
	2020-21	2021-22	2022-23
1 April 20 – 31 March 23	£20,339,000	£20,463,000	£20,696,000

Robert McInroy FFA

Douglas Green FFA

31 March 2020

For and on behalf of Hymans Robertson LLP

Audit Opinion

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHAMPTONSHIRE PENSION FUND

Opinion

We have audited the Pension Fund financial statements for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 27. 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.

In our opinion the Pension Fund financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and the amount and disposition of the fund's assets and liabilities as at 31 March; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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 Pension Fund 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.

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.

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 Pension Fund's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

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 Pension Fund's ability to continue as a going concern.

Other information

The other information comprises the information included in the 'Northamptonshire County Council Statement of Accounts 2020-2021', 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 2020-2021'.

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.

Audit Opinion

Matters on which we report by exception

We report to you if:

- 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.

Responsibility of the Executive Director of Finance

As explained more fully in the 'Statement of Responsibilities for the Statement of Accounts' set out on page 22, the Executive Director of Finance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund 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, and for being satisfied that they give a true and fair view and for such internal control as the directors determine 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 Pension Fund'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 Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

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 Pension Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.

Audit Opinion

We understood how Northamptonshire Pension Fund is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the monitoring officer, the Head of Internal Audit, 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 Committee minutes, through the inspection of Pension Fund policies and procedures 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 Pension Fund's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and opportunities 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 the manipulation of journal entries of the investment income and investment asset valuations and management override of controls to be our fraud risks.

To address our fraud risk we tested the consistency of the investment income and investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business.

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.

Use of our report

This report is made solely to the members of Northamptonshire County Council (demised), 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 Northamptonshire Pension Fund and Northamptonshire County Council (demised) members as a body, for our audit work, for this report, or for the opinions we have formed.

Debbie Hanson (Key Audit Partner)

Ernst & Young LLP (Local Auditor),

Luton

Date

Fund Account

31-Mar-20 £000	Notes	31-Mar-21 £000
Dealings with members, employers and others directly involved in the fund:		
-112,663	Contributions	-116,311
-8,184	Transfers in from other pension funds	-7,759
-120,847		-124,070
94,415	Benefits	96,190
6,765	Payments to and on account of leavers	8,958
101,180		105,148
-19,667 Net (additions)/withdrawals from dealing with members		
11,976	Management expenses	14,008
-7,691 Net (additions)/withdrawals including fund management expenses		
Returns on investments:		
-41,123	Investment income	-23,433
230	Taxes on income	14
150,600	(Profit) and losses on disposal of investments and changes in the value of investments	-670,914
109,707	Net return on investments	-694,333
102,016 Net (increase)/decrease in the net assets available for benefits during the year		
-2,506,259	Opening net assets of the scheme	-2,404,243
-2,404,243 Closing net assets of the scheme		

Notes on pages 46 to 76 form part of the financial statements.

Net Asset Statement

31-Mar-20			31-Mar-21
£000		Notes	£000
2,393,414	Investment assets		3,091,885
-618	Investment liabilities		-390
2,392,796	Total net investments	Note 14	3,091,495
19,121	Current assets	Note 21	17,977
-7,674	Current liabilities	Note 22	-5,982
11,447	Net current assets		11,995
2,404,243	Closing net assets of the scheme	Note 17a	3,103,490

Notes on pages 46 to 76 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 County Council Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by Northamptonshire County Council. The County 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 2020-21 on pages 1 to 41 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 Fund is a contributory defined benefit pension scheme administered by Northamptonshire County Council to provide pensions and other benefits for pensionable employees of Northamptonshire County Council, the district councils in Northamptonshire, 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 Pensions Committee, which is a committee of Northamptonshire County 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 2021 there are 314 (2020: 366) active employers within the Northamptonshire Pension Fund, including the County Council itself.

	31-Mar-20	31-Mar-21
Number of employers with active members	366	314

The Fund has over 73,000 individual members, as detailed below:

Number of employees in scheme:	31-Mar-20	31-Mar-21
County council	8,120	8,067
Other employers	13,804	15,801
Total	21,924	23,868

Number of pensioners:	31-Mar-20	31-Mar-21
County council	8,811	8,918
Other employers	7,892	8,128
Total	16,703	17,046

Deferred pensioners:	31-Mar-20	31-Mar-21
County council	14,059	14,228
Other employers	9,165	9,733
Total	23,224	23,961

Undecided leavers:	31-Mar-20	31-Mar-21
County council	3,456	3,570
Other employers	4,484	4,633
Total	7,940	8,203

Total members	69,791	73,078
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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 2021. Employers' contributions are set as part of the triennial actuarial funding valuation. The last such valuation was at 31 March 2019. Employers' contributions comprise a percentage rate on active payroll between 1.8% and 35% 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
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump Sum	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 2020-21 financial year and its financial position at 31 March 2021. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2020-21* (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. Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1 April 2022. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet onto the Balance Sheet of lessees. Implementation of IFRS 16 is not expected to have a material impact on the pension fund because it does not hold any assets as a lessee.

Notes to the Pension Fund Accounts (continued)

In carrying out its assessment, that it is appropriate to prepare the accounts on a going concern basis, management of the Pension Fund have considered the additional qualitative and quantitative key factors:

- The basis for preparation is supported by legislation for local authorities, and the Code requirements on the basis of the continuation of services;
- All employers within the fund are paying contributions as per the rates and adjustment certificate. It remains the Fund's expectation that employers will continue to pay their contributions.
- The Pension Fund has reviewed its cash flow forecast for the going concern period to 30 November 2024. The Pension Fund has sufficient cash liquidity to meet its payments without the need to sell any investments.
- Should the need arise, the Pension Fund has £2.57 billion of level 1 and 2 investment assets at 31 March 2023 (79.4% of the Fund) which are assets that could be liquidated at short notice to pay benefits.
- The Pension Fund does not have any external borrowing.

On this basis, the Pension Fund have a reasonable expectation that it will have adequate resources to continue in operational existence throughout the going concern period, which is at least 12 months from the date of authorisation of these accounts. For this reason, alongside the statutory guidance, we continue to adopt the going concern basis in preparing these financial statements.

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. Amounts not due until future years are classed as long-term financial assets.

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 75) 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 2019-20 and 2020-21.

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.

Notes to the Pension Fund Accounts (continued)

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.

Stock lending

Stock lending income is recognised in the Fund Account as it accrues. Stock lending income represents the transfer of securities by the Pension Fund to an approved counterparty (“Borrower”), against a receipt of collateral (non-cash), for a fee, subject to the obligation by that same counterparty to redeliver the same or similar securities back to the Lender at a future date. Securities on loan remain assets of the Fund and are recorded in the Net Asset Statement at fair value.

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.

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 administration 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. All staff costs associated with governance and oversight are charged direct 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.

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 2020-21, £0.1m of fees are based upon such estimates (2019-20: £ 0.4m). In addition, manager fees deducted from pooled funds of £9.3m (2019-20: £5.7m) are estimated based upon information received from fund managers.

The cost of obtaining investment advice from external consultants is charged direct to the Fund. All staff costs associated with investment activity are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged to the Fund.

Notes to the Pension Fund Accounts (continued)

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.

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).

Cash and Cash Equivalents

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

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

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).

Notes to the Pension Fund Accounts (continued)

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 as its AVC providers. 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.

4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

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.

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.

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 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- **Actuarial Present Value of Promised Retirement Benefits 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.
- **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 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £478m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £33m, and a 1 year increase in assumed life expectancy would increase the liability by approximately 3-5%.

Notes to the Pension Fund Accounts (continued)

- **Private Equity**

Uncertainties: Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

Effect if Actual Results Differ from Assumptions: The total private equity investments in the financial statements are £309.8m. There is a risk that this investment may be under or overstated in the accounts.

6. EVENTS AFTER THE BALANCE SHEET DATE

On 1st April 2021 the Administering Authority of the Pension Fund changed from Northamptonshire County Council to West Northamptonshire Council. There were no substantial impacts on the administration of the Fund. The services, operations and investments activities of the Fund continue to operate as business as usual.

Since 31 March 2021 the Fund has undergone its 2022 triennial valuation, the funding position has improved since the last valuation to 113% (2019: 93%). This is a non-adjusting event to the 2020-21 statement of accounts.

7. CONTRIBUTIONS RECEIVABLE

By category:

31-Mar-20		31-Mar-21
£000		£000
22,121	Employees' contributions	23,431
	Employers' contributions:	
65,520	Normal contributions	71,463
25,022	Deficit recovery contributions	21,417
90,542	Total employers' contributions	92,880
112,663		116,311

By authority:

31-Mar-20		31-Mar-21
£000		£000
33,411	Administering authority	32,642
72,349	Scheduled bodies	80,402
6,903	Admitted bodies	3,267
112,663		116,311

8. TRANSFERS IN FROM OTHER PENSION FUNDS

31-Mar-20		31-Mar-21
£000		£000
8,184	Individual transfers	7,759
8,184		7,759

Notes to the Pension Fund Accounts (continued)

9. BENEFITS PAYABLE

By category:

31-Mar-20	31-Mar-21
£000	£000
77,701 Pensions	80,572
13,203 Commutation and lump sum retirement benefits	12,452
3,511 Lump sum death benefits	3,166
94,415	96,190

By authority:

31-Mar-20	31-Mar-21
£000	£000
41,281 Administering authority	41,593
47,160 Scheduled bodies	47,872
5,974 Admitted bodies	6,725
94,415	96,190

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

31-Mar-20	31-Mar-21
£000	£000
186 Refunds to members leaving service	1,120
6,579 Individual transfers	7,838
6,765	8,958

11. MANAGEMENT EXPENSES

31-Mar-20	31-Mar-21
£000	£000
1,967 Administrative costs	2,372
9,014 Investment management expenses	10,928
995 Oversight and governance costs	708
11,976	14,008

Notes to the Pension Fund Accounts (continued)

12. INVESTMENT MANAGEMENT EXPENSES

2020/21	Management Fees £000	Performance Related Fees £000	Transaction Costs £000	Other Costs £000	Total £000
Equities	356	0	320	0	676
Pooled investments	5,254	0	14	312	5,580
Pooled property investments	258	0	239	15	512
Private equity/infrastructure	1,802	1,539	0	819	4,160
Total	7,670	1,539	573	1,146	10,928

2019/20	Management Fees £000	Performance Related Fees £000	Transaction Costs £000	Other Costs £000	Total £000
Equities	1,663	0	716	0	2,379
Pooled investments	3,007	542	0	220	3,769
Pooled property investments	131	0	616	329	1,076
Private equity/infrastructure	618	789	0	352	1,759
Custody	0	0	0	31	31
Total	5,418	1,331	1,333	932	9,014

13. INVESTMENT INCOME

31-Mar-20 £000	31-Mar-21 £000
20,540 Income from equities	3,060
7,880 Pooled investments – unit trusts and other managed funds	8,448
10,439 Pooled property investments	7,430
1,949 Private equity/infrastructure income	4,462
207 Interest on cash deposits	9
108 Other – securities lending income	24
41,123	23,433

Notes to the Pension Fund Accounts (continued)

14. INVESTMENTS

31-Mar-20 £000		31-Mar-21 £000
	Investment assets	
160,255	Equities	17
1,821,314	Pooled investments	2,544,031
192,662	Pooled property investments	185,516
192,596	Private equity/infrastructure	309,824
	Derivative contracts:	
24	• Forward currency contracts	0
23,975	Cash deposits	51,483
1,284	Investment income due	484
1,303	Amounts receivable for sales	530
1	Amounts receivable for pending spot FX	0
2,393,414	Total investment assets	3,091,885
	Investment liabilities	
-618	Amounts payable for purchases	-390
-618	Total investment liabilities	-390
2,392,796	Net investment assets	3,091,495

Notes to the Pension Fund Accounts (continued)

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

	Market value 01-Apr-20	Purchases during the year and derivative payments ¹	Sales during the year and derivative receipts ¹	Change in market value during the year	Market value 31-Mar-21
	£000	£000	£000	£000	£000
Equities	160,255	67,660	-270,351	42,453	17
Pooled investments	1,821,314	602,413	-473,600	593,904	2,544,031
Pooled property investments	192,662	9,432	-11,878	-4,700	185,516
Private equity/infrastructure	192,596	94,908	-17,066	39,386	309,824
	2,366,827	774,413	-772,895	671,043	3,039,388
Derivative contracts:					
• Forward currency contracts	24	26	-58	8	0
	2,366,851	774,439	-772,953	671,051	3,039,388
Other investment balances:					
• Cash deposits	23,975				51,483
• Amount receivable for sales	1,303				530
• Investment income due	1,284				484
• Spot FX contracts	1				0
• Amounts payable for purchases of investments	-618				-390
Net investment assets	2,392,796				3,091,495

¹Equity sales and Pooled Investments purchases include an in-specie transfer of £209.6m into the ACCESS pool.

Notes to the Pension Fund Accounts (continued)

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

	Market value 01-Apr-19	Purchases during the year and derivative payments ¹	Sales during the year and derivative receipts ¹	Change in market value during the year	Market value 31-Mar-20
	£000	£000	£000	£000	£000
Equities	901,836	356,422	-1,008,905	-89,098	160,255
Pooled investments	1,281,981	661,489	-67,321	-54,835	1,821,314
Pooled property investments	197,117	20,583	-10,090	-14,948	192,662
Private equity/infrastructure	62,296	136,070	-13,744	7,974	192,596
	2,443,230	1,174,564	-1,100,060	-150,907	2,366,827
Derivative contracts:					
• Forward currency contracts	-5	312	-368	85	24
	2,443,225	1,174,876	-1,100,428	-150,822	2,366,851
Other investment balances:*					
• Cash deposits	41,726			51	23,975
• Amount receivable for sales	1,429			-9	1,303
• Investment income due	4,539			0	1,284
• Spot FX contracts	0			169	1
• Amounts payable for purchases of investments	-1,925			11	-618
Net investment assets*	2,488,994			-150,600	2,392,796

Other investment balances and Net investment assets do not add across as purchases, sales and other movements are not disclosed here (£19.8m), in accordance with CIPFA guidance.

¹Equity sales and Pooled Investments purchases include an in-specie transfer of £404.8m into the ACCESS pool.

Notes to the Pension Fund Accounts (continued)

14(b). INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31-Mar-20		Market value 31-Mar-21	
£000	% of net investment assets	£000	% of net investment assets
Investments managed under Pooled Governance:			
896,916	38	1,287,000	42
733,306	31	970,953	31
1,630,222	68	2,257,953	73
Investments managed outside Pooled Governance:			
19,523	1	43,979	1
17,136	1	20,105	1
35,162	2	38,077	1
0	0	143,083	5
330	0	511	0
193,621	8	195,098	6
8,517	0	9,416	0
29,380	1	68,860	2
46,719	2	48,136	2
0	0	45,644	1
44,347	2	186,853	6
179,320	8	0	0
253	0	17	0
177,901	7	0	0
10,365	0	33,763	1
762,574	32	833,542	27
2,392,796	100	3,091,495	100

- 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 31st March 2021.

Security	31-Mar-20	% of total fund	31-Mar-21	% of total fund
	£000	%	£000	%
LF ACCESS UK Equity - Majedie	0	0	278,300	9
LF ACCESS Baillie Gifford Diversified Growth Fund	260,167	9	214,354	7
UBS Asset Management Life Over 5 Year Index Linked Gilts	129,127	4	311,751	10
UBS Asset Management Life Over 15 Year Index Linked Gilts	130,543	4	0	0
LF ACCESS Global Equity - Newton Investment Management	207,943	7	284,105	9
LF ACCESS Baillie Gifford Long Term Global Growth Fund	244,764	8	259,523	8
LF ACCESS Longview Global Equity	184,042	6	250,718	8
	<u>1,156,586</u>		<u>1,598,751</u>	

14(d). STOCK LENDING

The Fund's Investment Strategy sets the parameters for the Fund's stock-lending programme. At 31 March 2021, the value of quoted equities on loan was nil (31 March 2020: £35.1m). The Fund held fewer assets available for lending at 31 March 2021, as the Fund has transitioned its segregated holdings into pooled funds in the ACCESS pool.

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 2021 or 31 March 2020.

• Options

There were no outstanding option contracts at 31 March 2021 or 31 March 2020.

• 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 or not 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 £000		Currency £000	£000	£000
One to six months	GBP	50	EUR	-59	0	0
					0	0
Total					0	0
Net forward currency contracts at 31 March 2021						0
Prior year comparative						
Open forward currency contracts at 31 March 2020					24	
Net forward currency contracts at 31 March 2020						24

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 2015, 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 2021	Level 1	Level 2	Level 3	Total	Values at March 2020	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	£000	£000	£000	£000	Financial assets at fair value through profit and loss	£000	£000	£000	£000
Equities	17	0	0	17	Equities	160,255	0	0	160,255
Pooled investments	657	2,543,374	0	2,544,031	Pooled investments	233,951	1,587,363	0	1,821,314
Pooled property investments	0	58,366	127,150	185,516	Pooled property investments	22,187	67,797	102,678	192,662
Private equity/infrastructure	0	0	309,824	309,824	Private equity/infrastructure	0	0	192,596	192,596
					Derivatives	24	0	0	24
Net investment assets	674	2,601,740	436,974	3,039,388	Net investment assets	416,417	1,655,160	295,274	2,366,851

There has been no change in the valuation techniques used for individual investments during the year.

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
Market quoted investments	Level 1	Published bid market price ruling on the final day of the account period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities valued at a market value based on current yields	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Pooled investments – not exchange traded open ended funds	Level 2	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Not required
Pooled investments – not exchange traded closed ended funds	Level 3	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date and lack of liquidity.
Private equity and infrastructure- equity	Level 3	Comparable valuation of similar companies	Price/Earnings or EBITDA multiple	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date.
Private equity and infrastructure - other	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	Share of net assets	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, and by any 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 2021.

Asset Type	Market Value as at 31-Mar-21 £000	Assessed valuation range (+/-)	Value on Increase £000	Value on Decrease £000
Venture capital	309,824	21.2%	375,507	244,141
Property funds	127,150	14.2%	145,205	109,095
Total Assets	436,974		520,712	353,236

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

Period 2020-21	Market value 01- Apr-20 £000	Transfers in/out of Level 3 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Unrealised gains/(losses) £000	Realised gains/(losses) £000	Market value 31-Mar-21 £000
Venture capital	192,596	0	94,908	-17,066	36,654	2,732	309,824
Property funds	102,678	34,495	4,365	-11,879	-2,456	-53	127,150
Total	295,274	34,495	99,273	-28,945	34,198	2,679	436,974

Reclassification of Pooled property investments from Level 2 to Level 3 in agreement with the fair value techniques for property.

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-20			31-Mar-21		
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
Financial assets					
160,225	0	0	17	0	0
1,821,314	0	0	2,544,031	0	0
192,662	0	0	185,516	0	0
192,596	0	0	309,824	0	0
24	0	0	0	0	0
0	32,475	0	0	60,645	0
0	2,588	0	0	1,014	0
0	10,621	0	0	8,815	0
2,366,821	45,684	0	3,039,388	70,474	0
Financial liabilities					
0	0	0	0	0	0
0	0	-618	0	0	-390
0	0	-7,674	0	0	-5,982
0	0	-8,292	0	0	-6,372
2,366,821	45,684	-8,292	3,039,388	70,474	-6,372
2,404,213 Total					3,103,490

Notes to the Pension Fund Accounts (continued)

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

31-Mar-20		31-Mar-21
£000		£000
	Financial assets:	
-150,907	Fair value through profit and loss	671,043
180	Loans and receivables	2
	Financial liabilities:	
85	Fair Value through profit and loss	8
42	Amortised cost – realised losses on de-recognition of assets	-140
-150,600	Total gains/(losses)	670,913

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 2020-21 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 equities	17%
Global pooled equities	17%
Index linked bonds	8%
Multi asset credit	6%
Diversified growth	12%
Property	14%
Alternatives	21%
Cash and other investment balances	0%

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:

31-Mar-21	Value as at	% (rounded)	Value on	Value on
Asset Type	31-Mar-21	Change	Increase	Decrease
	£000		£000	£000
UK equities	302,821	16.7	353,392	252,250
Global pooled equities	1,429,038	17.4	1,677,691	1,180,385
Index linked bonds	311,751	7.5	335,132	288,370
Multi asset credit	285,427	6.2	303,123	267,731
Diversified growth	214,354	11.9	239,862	188,846
Property	185,516	14.2	211,859	159,173
Alternatives	309,824	21.2	375,507	244,141
Cash and other investment balances	52,764	0.3	52,922	52,606
Total Assets	3,091,495		3,549,488	2,633,501

31-Mar-20	Value as at	% (rounded)	Value on	Value on
Asset Type	31-Mar-20	Change	Increase	Decrease
	£000		£000	£000
UK equities	171,603	27.5	218,794	124,412
Overseas equities	18,779	28.0	24,037	13,521
Global pooled equities	1,351,379	28.0	1,729,765	972,993
Index linked bonds	259,670	5.8	274,731	244,609
Pooled fixed interest bonds	177,901	9.8	195,335	160,467
Property	192,662	14.2	220,020	165,304
Alternatives	192,596	20.1	231,308	153,884
Cash and other investment balances	28,206	0.3	28,291	28,121
Total Assets	2,392,796		2,922,281	1,863,311

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 2021 and 31 March 2020 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-20 Asset Type	31-Mar-21
£000	£000
23,975 Cash and cash equivalents	51,483
8,500 Cash balances	9,162
259,670 Index-linked securities	311,751
177,901 Fixed interest securities	285,714
470,046 Total	658,110

Exposure to interest rate risk	Asset values at	Impact of 1%	Impact of 1%
	31-Mar-21	decrease	increase
	£000	£000	£000
Cash and cash equivalents	51,483	51,483	51,483
Cash balances	9,162	9,162	9,162
Index-linked securities	311,751	314,869	308,633
Fixed interest securities	285,714	288,571	282,857
Total change in assets available	658,110	664,085	652,135

Exposure to interest rate risk	Asset values at	Impact of 1%	Impact of 1%
	31-Mar-20	decrease	increase
	£000	£000	£000
Cash and cash equivalents	23,975	23,975	23,975
Cash balances	8,500	8,500	8,500
Index-linked securities	259,670	262,267	257,073
Fixed interest securities	177,901	179,680	176,122
Total change in assets available	470,046	474,422	465,670

Notes to the Pension Fund Accounts (continued)

Exposure to interest rate risk	Interest receivable 2020-21 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits, cash and cash equivalents	9	9	9
Fixed interest securities	531	536	526
Total	540	545	535

Exposure to interest rate risk	Interest receivable 2019-20 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits, cash and cash equivalents	207	209	205
Fixed interest securities	2,684	2,711	2,657
Total	2,891	2,920	2,862

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 9.8% (the 1 year expected standard deviation).

A 9.8% (31 March 2020: 10.0%) 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 9.8% 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	Potential	Value on	Value on
	31-Mar-21	market	increase	decrease
	£000	movement	£000	£000
Overseas equities - hedged	249,314	0	249,314	249,314
Overseas equities - unhedged	1,394,078	136,620	1,530,698	1,257,458
Overseas fixed income	285,427	27,972	313,399	257,455
Overseas cash fund	657	64	721	593
Total	1,929,476	164,656	2,094,132	1,764,820

Assets exposed to currency risk	Value at	Potential	Value on	Value on
	31-Mar-20	market	increase	decrease
	£000	movement	£000	£000
Overseas equities - hedged	240,460	0	240,460	240,460
Overseas equities - unhedged	1,129,698	112,970	1,242,668	1,016,728
Overseas fixed income	177,901	17,790	195,691	160,111
Overseas cash fund	2,237	224	2,461	2,013
Total	1,550,296	130,984	1,681,280	1,419,312

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.

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.

Notes to the Pension Fund Accounts (continued)

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 2021 was £60.6m (31 March 2020: £32.5m). This was held with the following institutions:-

	Rating	31-Mar-20 £000	31-Mar-21 £000
Money market funds			
Northern Trust Global Investors Global Cash Fund	AAAm	23,306	37,167
UK Treasury Bills			
Bank deposit account			
Barclays Bank	A	8,500	9,162
Bank current accounts			
Northern Trust custody accounts	A-1+	669	14,316
Total		32,475	60,645

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 2021 the value of illiquid assets was £495.3m, which represented 16.0% of the total Fund assets (31 March 2020: £385.3m, which represented 16.1% 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 2021 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 2019. The next valuation will take place as at 31 March 2022.

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 2019 actuarial valuation, the Fund was assessed as 93% funded (78% at the March 2016 valuation). This corresponded to a deficit of £176m (2016 valuation: £517m) 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 2019 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 2020 to 31 March 2023: 19%	2020-21: £20,339,000	2021-22: £20,463,000	2022-23: £20,696,000

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 2019 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-16	31-Mar-19
Price Inflation (CPI)/ Pension increases	2.1%	2.3%
Pay increase - 2016	2.4%*	2.8%**
**2% until 31 March 2020 followed by CPI plus 0.5% thereafter		

Mortality Assumptions

Future life expectancy based on the actuary's fund-specific mortality review was:

Assumed life expectancy at age 65	Active and Deferred Members	Active and Deferred Members	Current Pensioners	Current Pensioners
	Male	Female	Male	Female
2016 valuation	23.9	26.1	22.1	24.2
2019 valuation	22.3	25.1	21.5	29.7

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 in normal health - We have adopted the retirement age pattern assumption as used for the purpose of the 2016 LGPS cost cap valuation.

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) Family details - 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 - 50% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 (equivalent 75% for service from 1 April 2008).

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-20		31-Mar-21
£m		£m
(3,436)	Present value of promised retirement benefits	(4,572)
2,404	Fair value of scheme assets (bid value)	3,103
(1,032)	Net liability	(1,469)

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 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-20	Assumption	31-Mar-21
% p.a.		% p.a.
1.90	Inflation/pension increase rate assumption	2.85
2.40	Salary increase rate	3.35
2.30	Discount rate	2.00

Notes to the Pension Fund Accounts (continued)

21. CURRENT ASSETS

31-Mar-20	31-Mar-21
£000	£000
Debtors:	
1,619 Contributions due – members	1,754
5,704 Contributions due – employers	6,033
3,298 Other debtors	1,028
10,621	8,815
Cash balances	
8,500	9,162
8,500	9,162
19,121	17,977

22. CURRENT LIABILITIES

31-Mar-20	31-Mar-21
£000	£000
1,672 Benefits payable	967
6,002 Other creditor	5,015
7,674	5,982

23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

31-Mar-20	31-Mar-21
£000	£000
4,880 Prudential	5,725
705 Standard Life	642
5,585	6,367

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-20	31-Mar-21
£000	£000
2,570 Unfunded pensions	2,208
2,570	2,208

Notes to the Pension Fund Accounts (continued)

25. RELATED PARTIES TRANSACTIONS

Northamptonshire County Council

The Northamptonshire County Council Pension Fund is administered by Northamptonshire County Council. Consequently, there is a strong relationship between the Council and the Fund. The Council incurred costs of £1.6m (2019-20: £2.0m) 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 £25.9m of employer's contributions to the Fund in 2019-20 (2019-20: £26.9m). At 31 March 2021 there was £263k due to the Fund by the Council (31 March 2020: £681k was due to the Fund by the Council).

Governance

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

Councillor Richard Micklewright

County 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 Northamptonshire County Council in partnership with Cambridgeshire County Council. The Head of Pensions reports directly to Assistant Director of Finance at Northamptonshire County Council, whose costs are reported in the Northamptonshire County Council statement of accounts. Other key personnel include the Section 151 Officer, who is Treasurer to the Fund, and the Head of HR. The Assistant Director of Finance, the Section 151 Officer and the Head of HR are remunerated for their services to the organisation as a whole and it is not possible to identify within the overhead charge from the proportion of costs relating to these services to

the Fund.

26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2021 totalled £186.6m (31 March 2020: £196.9m).

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

Eight 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.

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

AUM Assets Under Management

BENEFICIAL OWNER The true owner of a security regardless of the name in which it is registered.

BID PRICE The price at which securities are purchased by market makers.

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.

CTI Cost Transparency Initiative

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.

DEFERRED PENSION BENEFIT A pension benefit which a member has accrued but is not yet entitled to receive.

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.

Glossary (continued)

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.

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

FINANCIAL CONDUCT AUTHORITY (FCA) The lead UK regulator. A designated agency which is not a government department.

FIXED INTEREST CORPORATE BOND A certificate of debt issued by a company or institution in return for a fixed rate interest with a promise of redemption to repay the original sum.

FTSE-100 INDEX The main UK index used to represent the approximate price movements of the top 100 shares.

FTSE All Share Index Summarises the state of the UK equity market. It covers some 900 of the major UK industrial, commercial and financial companies.

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.

OFFER PRICE The price at which market makers will sell stock.

ORDINARY SHARES 'A' Shares which confer full voting and dividend rights to the Owner.

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.

PC Pensions Committee.

Glossary (continued)

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.

RAG Red, Amber and Green

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

SAB Scheme Advisory Board

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.

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.



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

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Appendix A – ACCESS Annual Report

Chairperson's Foreword

I am pleased to present the Annual Report and Statement of Accounts for the Northamptonshire Pension Fund's financial year 2022-23. Our devoted team **has worked tirelessly to** manage and maintain the highest standards for our scheme members, employers, and **other** stakeholders.

Our scheme membership has grown substantially, now including over 80,000 active, pensioner, and deferred members. This expansion **shows the importance of the benefits provided by the Fund to scheme members.**

This year, we conducted a comprehensive valuation of the Fund, a triennial task aimed at ensuring financial sufficiency to meet pension commitments. This project involves several activities, such as data collection, employer engagement, risk management, and policy assessments. Notably, we introduced a "funding corridor" **within our cessation policy**, which effectively reduces sensitivity to market fluctuations upon employer exit, thus enhancing stability. We have also taken measures to reduce the impact of Government bonds on valuation calculations.

At the 2022 valuation, the Fund's funding level was 113%. To reduce the risks faced by the Fund, we have made the following changes to the funds' strategic asset allocation:

- Reduced equity allocations by 12.5%
- Increased fixed income by 10% and alternatives by 2.5% to provide greater exposure to inflation linked, cashflow generative assets while protecting the strong funding position.
- Expanded private markets portfolio to consider sustainable and impact opportunities

We have made significant progress in reinforcing our responsible investment (RI) policy, **part of** our overarching investment strategy. **Our RI policy** outlines our approach to sustainable responsible investment, with a dedicated commitment to prudently manage carbon and climate risks

influencing our investment decisions.

As part of our commitment to sustainability, we have embraced an ambitious decarbonisation pathway for our investment portfolio. Our goal is to achieve net zero carbon emissions by 2050 while ensuring the Fund's capacity to honour its benefit obligations remains resolute.

The year began with market volatility due to the Russian invasion of Ukraine, which led to raised inflation and uncertainties. Despite these challenges, the fund's investment return for the year was -4.8%, leading to a decrease in net assets from £3,368 billion in the prior year to £3,250 billion.

Our active participation in the ACCESS pool is a reflection of our commitment, with a significant 74% of our assets pooled as of 31 March 2023, and additional assets scheduled for future transition.

I extend my sincere appreciation to the Pension Committee, the Investment Sub-Committee, the members of the Local Pension Board, the Chief Finance Officer, the Head of Pensions, and the entire dedicated workforce for administering and managing the Northamptonshire Pension Fund.

In conclusion, we remain committed to excellence, transparency, and responsible stewardship. We will continue to provide exceptional service and secure the financial future of our esteemed 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

<u>Partners</u>		<u>Asset Managers (Continued)</u>	
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*	
<u>Asset Managers</u>		UBS Asset Management	
Adams Street Partners		<u>AVC Providers</u>	
Allianz Global Investors		Prudential	
Ares Asset Management		Standard Life	
Baillie Gifford & Co*		*Sub-funds managed by Link Fund Solutions in the ACCESS pool (page 28)	
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 Services and Communications Manager

Michelle Oakensen – Governance and Regulations 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

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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).

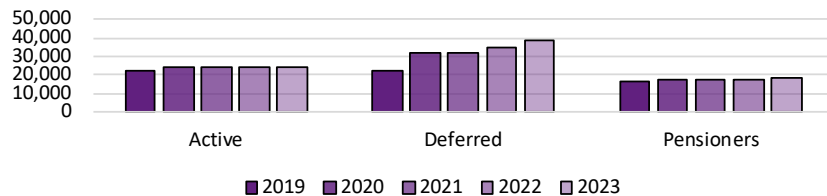
The Fund is a qualifying scheme under the automatic enrolment regulations and can be used by employers to automatically enroll eligible employees, and every three years re-enrol anyone who opts out of the scheme.

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 1st 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 Northamptonshire 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
Basis of Pension	Final Salary	Career Average Revaluated Earnings (CARE)
Accrual Rate	1/60 th	1/49 th
Revaluation Rate	Based on Final Salary	Consumer Prices Index (CPI)
Pensionable Pay	Pay excluding non contractual overtime and non pensionable additional hours	Pay including non-contractual overtime and additional hours
Employee Contribution Rates	Between 5.5% and 7.5%	Between 5.5% and 12.5%
Contribution Flexibility	No	Option to pay 50% contributions for 50% of pension benefit
Normal Pension Age	65	Equal to individuals state pension age
Lump Sum Trade Off	Trade £1 of pension for £12 lump sum	Trade £1 of pension for £12 lump sum
Death in Service Lump Sum	3 x Pensionable Pay	3 x Pensionable Pay
Death in Service Survivor Benefits	1/160 th accrual based on Tier 1 ill health pension enhancement Tier 1 – Immediate payment with service enhanced to Normal Pension Age (65)	1/160 th accrual based on Tier 1 ill health pension enhancement Tier 1 – Immediate payment with service enhanced to Normal Pension Age
Ill Health Provision	Tier 2 – Immediate payment with 25% service enhancement to Normal Pension Age (65) Tier 3 – Temporary payment of pension for up to 3 years	Tier 2 – Immediate payment with 25% service enhancement to Normal Pension Age Tier 3 – Temporary payment of pension for up to 3 years
Indexation of Pension in Payment	CPI (RPI for pre-2011 increases)	CPI
Vesting Period	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
- Northamptonshire 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
- **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
- **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
- **Investments** – oversee the governance of Fund assets and support the Investment Sub-Committee.
Email: PenInvestments@westnorthants.gov.uk
- **Operations** – maintain member records, calculate benefits and pensions payable.
Email: 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
- **Systems** – ensure internal systems are operating efficiently and provide support to maintaining accurate member records.
Email: 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, 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 28), 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
Total Income	-128,500	-147,037
Benefits payable	108,000	105,500
Payments to and for leavers	8,500	10,648
Total Benefits	116,500	116,148
Surplus of contributions over benefits	-12,000	-30,889
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
Total Management Expenses	3,645	16,615
Total Income less Expenses	-8,355	-14,274
Investment Income	-26,000	-34,027
Taxes on Income	0	0
(Profit)/loss on disposal and changes in market value of investments	-127,000	166,048
Net return on investments	-153,000	132,021
Net (increase)/decrease in assets during the year	-161,355	117,747

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
Deaths – initial letter acknowledging death of member <i>KPI: 5 working days, Legal requirement: 2 months</i>	536	536	100
Deaths – letter notifying amount of dependant’s pension <i>KPI: 5 working days, Legal requirement: 2 months</i>	330	329	99
Estimates – letter notifying estimate of retirement benefits to employee <i>KPI: 15 working days, Legal requirement: 2 months</i>	469	433	92
Retirements – process and pay pension benefits on time <i>KPI: 5 working days, Legal requirement: 2 months</i>	370	343	93
Deferment – calculate and notify deferred benefits <i>KPI: 15 working days, Legal requirement: N/A</i>	2,197	2,103	96
Transfers in – Letter detailing transfer in (actual) <i>KPI: 10 working days, Legal requirement: 2 months</i>	258	253	98
Transfers out – 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
Total	130,100	129,930	99	170	1

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. The necessary recoveries arising from identified overpayments are being pursued.

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

¹Excludes 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 ²	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 ³	262,560	50,507	212,053

²Overpayments 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.

³Overpayments 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
Administering (AA)	1
Scheduled (S)*	260
Admitted (Ad)	64
Total	325

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
Guilsborough CEVA Primary School	9,706	25,895	35,601		S
Guilsborough 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 Arbour's 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*
Grand Total	26,864,457	103,235,973	130,100,430		

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 31st March 2023, the ACCESS Pool has significant scale with assets of £59bn (of which 59% has been pooled) serving 3,459 employers with 1.192 million members including 339,058 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
Total Operational Costs	106.9	651.5

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	5,818	197	6,015	3,974	1,614	5,588		11,603
Performance Fee	0	0	0	1,778	166	1,944		1,944
Transaction taxes	0	0	0	273	-43	230		230
Broker commissions	0	158	158	107	-16	91		249
Other explicit costs	0	489	489	81	-13	68		557
Implicit/indirect transaction costs	0	480	480	-2	812	810		1,290
Administration	134	0	134	363	1,514	1,877		2,011
Governance and Compliance	20	0	20	240	287	527		547
Other	135	107	242	300	4,129	4,429		4,671
Total	6,107	1,431	7,538	7,114	8,450	15,564		23,102

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:

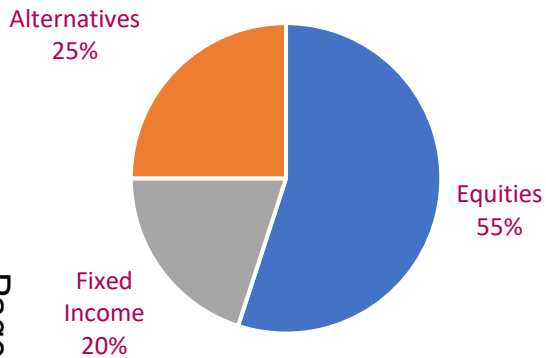
- To reach full funding and be in a position to pay benefits as they fall due; and
- To ensure contributions remain affordable to employers

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:

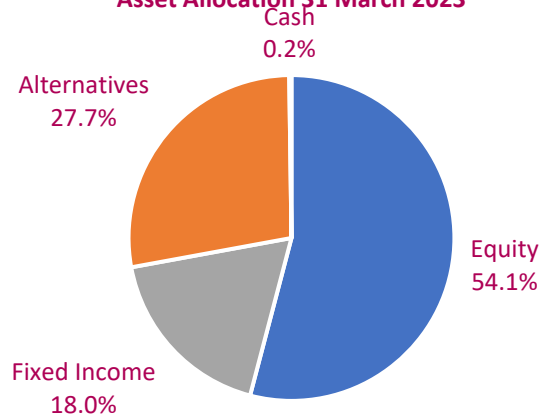
- Reduce the equity allocation by 12.5%, removing the standalone UK equity allocation and retaining the passive equity allocation at 20%;
- Increase fixed income (+10%) and alternatives (+2.5%) allocations to provide greater exposure to inflation linked, cashflow generative assets while protecting the 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.

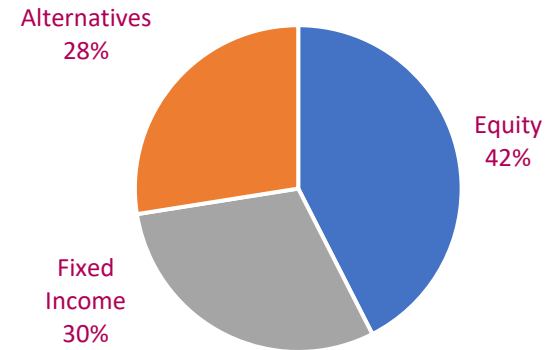
Strategic Allocation at 31 March 2023



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
Equities				
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	6.0
Longview Global Equity	286.5	8.5	302.9	9.4
UBS Passive Global Equity	676.5	20.2	607.8	18.8
Fixed Income				
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
Alternatives				
CBRE Property	248.5	7.4	212.5	6.6
Baillie Gifford – Diversified Growth	221.7	6.6	202.8	6.3
M&G Real Estate	60.8	1.8	60.8	1.9
HarbourVest	104.6	3.1	135.1	4.2
Adams Street	82.3	2.5	107.3	3.3
Ares Capital	34.7	1.0	35.8	1.1
Allianz	17.1	0.5	12.6	0.4
IFM Infrastructure	58.3	1.7	67.6	2.1
JP Morgan	44.7	1.3	59.5	1.8
Catapult	0.5	0.0	0.6	0.0
Cash	21.5	0.6	10.4	0.2
Total	3,354.8	100.0	3,234.2	100.0

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

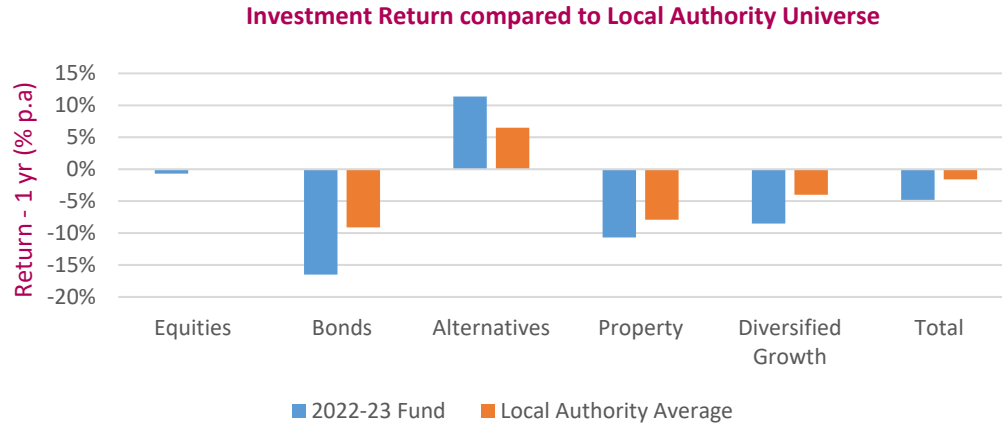
n/a = Not invested for the full period therefore no meaningful performance measure is available

Investment Policy and Performance (continued)

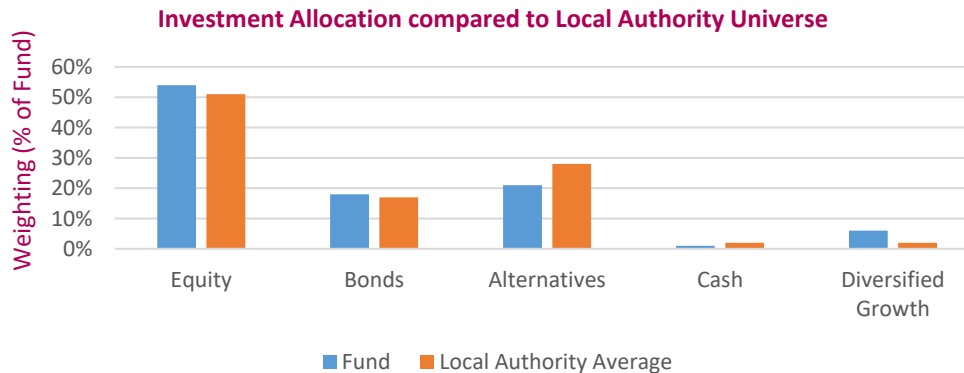
Performance in Comparison with Local Authority Universe

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 80th 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.

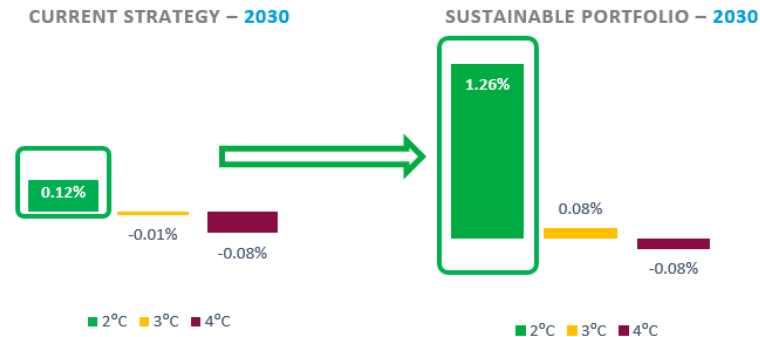
Resilience of the Fund's investment strategy

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	0.12%
2°C	2050	-0.06%
2°C	2100	-0.08%
3°C	2030	-0.01%
3°C	2050	-0.06%
3°C	2100	-0.10%
4°C	2030	-0.08%
4°C	2050	-0.14%
4°C	2100	-0.18%

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).



Climate change impact on return (% p.a.)

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 +16.2% 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.

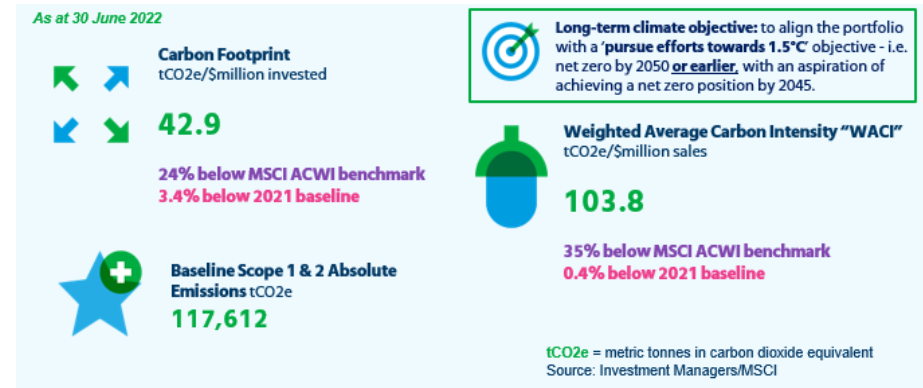
The carbon footprint metric instead normalises absolute emissions by the amount of assets invested. The Fund will continue to track both absolute emissions and WACI too as each metric provides a slightly different insight as to the nature of the companies held within portfolios.

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.

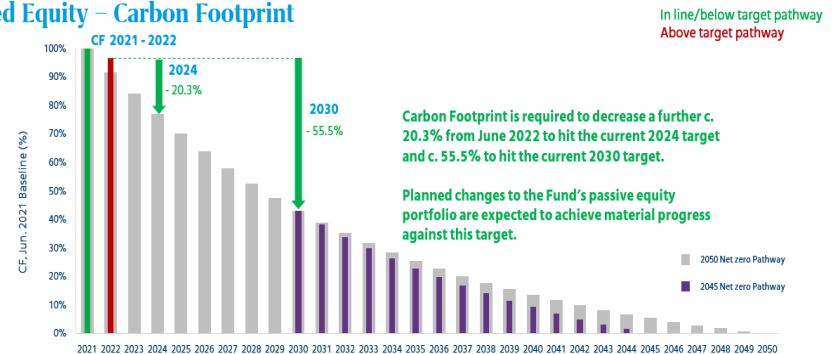
The dashboard will be updated on an annual basis.



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 31st March 2023

David Crum ASIP, May 2023

Economic Background & Market Review

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

The financial year to 31st 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

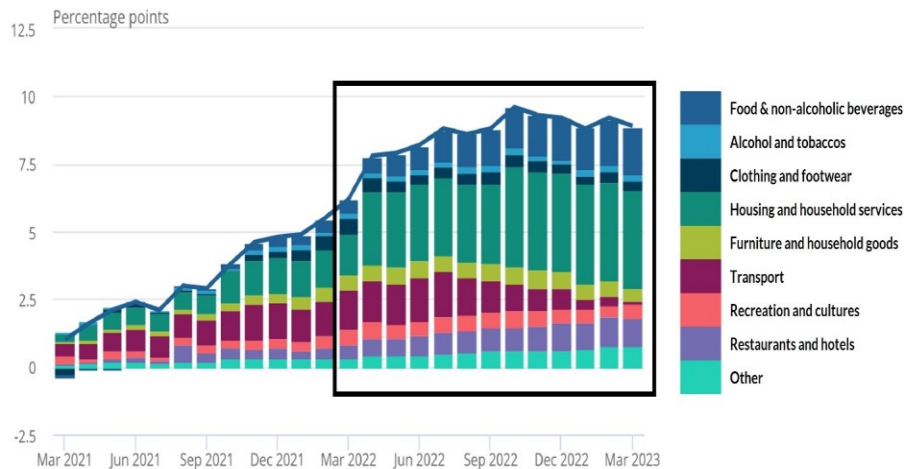
With the continuing war in Ukraine, and China sticking firmly to its ‘One China’ policy over Taiwan in word and deed, the global political arena continued to be tense with the wide-ranging implications of both actions. European resolve over sanctions held firm against Russia’s aggression, but real concerns 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.

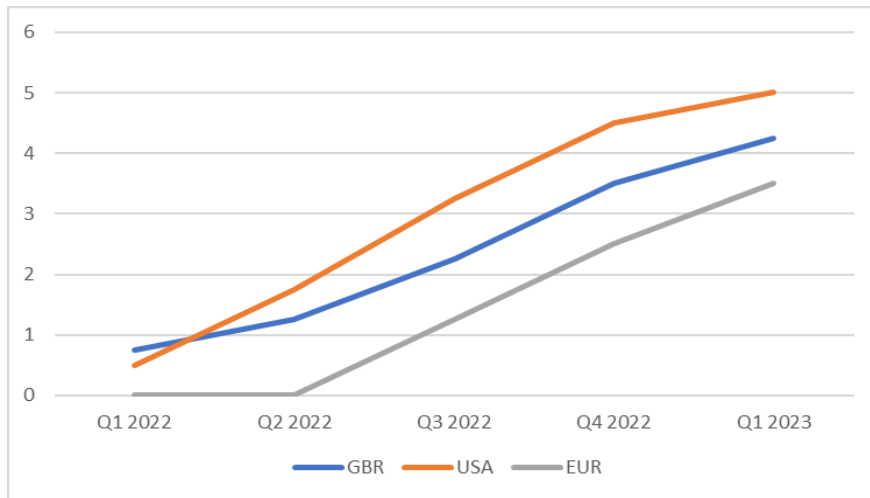
Interest Rates & the Cost of Living

In my Outlook from last year I said:

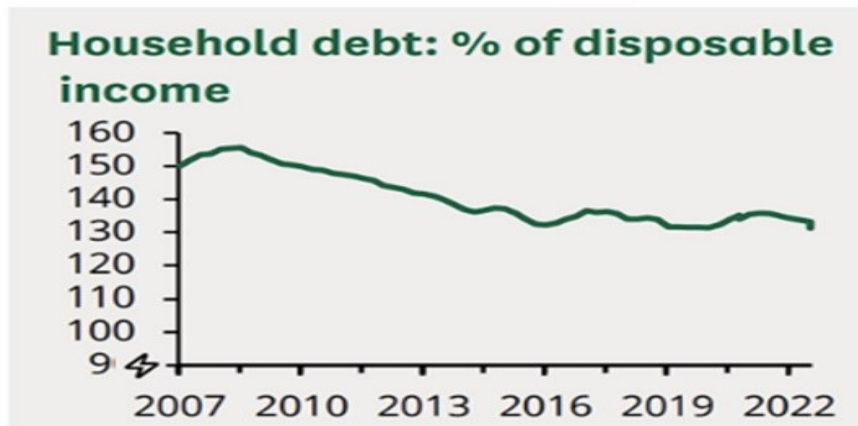
'Central banks have their work cut out in trying to manage inflationary pressures via monetary policies that have little headroom for significant interest rate rises, and the relative indebtedness of households means that consumer demand could falter as finances continue to be squeezed.'

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 16th 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.)
Northamptonshire Pension Fund	-4.8%	9.7%	6.2%
Fund Benchmark	-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 6.4% 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
Dealings with members, employers and others directly involved in the fund:			
-122,777	Contributions	Note 7	-130,100
-12,203	Transfers in from other pension funds	Note 8	-16,937
-134,980			-147,037
103,413	Benefits	Note 9	105,500
9,696	Payments to and on account of leavers	Note 10	10,648
113,109			116,148
-21,871	Net (additions)/withdrawals from dealing with members		-30,889
15,964	Management expenses	Note 11	16,615
-5,907	Net (additions)/withdrawals including fund management expenses		-14,274
Returns on investments:			
-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	166,048
-258,349	Net return on investments		132,021
-264,256	Net (increase)/decrease in the net assets available for benefits during the year		117,747
-3,103,490	Opening net assets of the scheme		-3,367,746
-3,367,746	Closing net assets of the scheme		-3,249,999

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

Net Asset Statement

31-Mar-22			31-Mar-23
£000		Notes	£000
3,357,279	Investment assets		3,234,160
-2,521	Investment liabilities		0
3,354,758	Total net investments	Note 14	3,234,160
18,564	Current assets	Note 21	21,634
-5,576	Current liabilities	Note 22	-5,795
12,988	Net current assets		15,839
3,367,746	Closing net assets of the scheme	Note 17a	3,249,999

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 325 (2022: 318) active employers within the Northamptonshire Pension Fund, including the Council itself.

	31-Mar-22	31-Mar-23
Number of employers with active members	318	325

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

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

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
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump Sum	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 80) 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 £243.0m. 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 £167.2m to £318.8m.

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 £222.2m. 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 £189.5m to £254.8m.

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 £201.1m. 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 £170.0m to £232.3m

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
	Employers' contributions:	
77,111	Normal contributions	81,859
20,998	Deficit recovery contributions	21,377
98,109	Total employers' contributions	103,236
122,777		130,100

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
122,777		130,100

8. TRANSFERS IN FROM OTHER PENSION FUNDS

31-Mar-22		31-Mar-23
£000		£000
12,203	Individual transfers	16,937
12,203		16,937

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
103,413		105,500

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
103,413		105,500

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
9,696		10,648

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
15,964		16,615

*Base fees payable to External Auditors, included within Oversight and Governance costs were £55k during the year (2021-22 £51k).

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
Total	9,792	1,778	459	1,192	13,221

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
Total	9,226	2,015	398	1,245	12,884

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
28,920	34,027

Notes to the Pension Fund Accounts (continued)

14. INVESTMENTS

31-Mar-22		31-Mar-23
£000		£000
	Investment assets	
	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	201,130
187,426	Private equity	242,990
201,861	Infrastructure	222,154
36,374	Cash deposits	33,339
509	Investment income due	315
3,357,279	Total investment assets	3,234,160
	Investment liabilities	
-2,521	Amounts payable for purchases	0
-2,521	Total investment liabilities	0
3,354,758	Net investment assets	3,234,160

Notes to the Pension Fund Accounts (continued)

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

	Market value 01-Apr-22	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-23
	£000	£000	£000	£000	£000
Pooled investments	2,681,942	69,931	-65,033	-152,608	2,534,232
Pooled property investments	249,167	643	-4,806	-43,874	201,130
Private equity	187,426	56,159	-17,506	16,911	242,990
Infrastructure	201,861	13,447	-7,504	14,350	222,154
	3,320,396	140,180	-94,849	-165,221	3,200,506
Derivative contracts:					
• Forward currency contracts	0	4	-2	-2	0
	3,320,396	140,184	-94,851	-165,223	3,200,506
Other investment balances:					
• 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
Net investment assets	3,354,758				3,234,160

Notes to the Pension Fund Accounts (continued)

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

	Market value 01-Apr-21 £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-22 £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
	3,039,388	126,621	-74,990	229,377	3,320,396
Derivative contracts:					
• Forward currency contracts	0	1	-2	1	0
	3,039,388	126,622	-74,992	229,378	3,320,396
Other investment balances:*					
• 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
Net investment assets*	3,091,495				3,354,758

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
Investments managed under Pooled Governance:			
1,493,631	44	1,480,060	46
1,030,982	31	904,078	28
2,524,613	75	2,384,138	74
Investments managed outside Pooled Governance:			
82,254	2	107,325	3
17,134	1	12,575	0
34,709	1	35,752	1
157,117	5	147,905	5
540	0	585	0
248,485	7	212,534	7
104,633	3	135,080	4
58,329	2	67,556	2
44,683	1	59,492	2
60,810	2	60,842	2
21,451	1	10,376	0
830,145	25	850,022	26
3,354,758	100	3,234,160	100

- 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 31st 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
	1,666,071		1,748,116	

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
Total					0	0
Net forward currency contracts at 31 March 2023						0
Prior year comparative						
Open forward currency contracts at 31 March 2022						0
Net forward currency contracts at 31 March 2022						0

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	201,130	201,130
Private equity	0	0	242,990	242,990
Infrastructure	0	0	222,154	222,154
Cash and Cash Equivalents	33,339	0	0	33,339
Net investment assets	35,549	2,532,022	666,274	3,233,845

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
Net investment assets	36,544	2,681,725	638,454	3,356,723

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
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Pooled Investments	Level 2	Net Asset Value / Bid Market Price.	Evaluated price feeds	Not required
Pooled Investments	Level 2	Average of broker prices.	Evaluated price feeds	Not required
Forward Foreign exchange derivatives	Level 2	Market forward exchange rates at theyear-end	Exchange rate risk	Not required
Property	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
Private Equity	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
Infrastructure	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	242,990	31.2	318,803	167,177
Infrastructure	222,154	14.7	254,811	189,497
Property funds	201,130	15.5	232,305	169,955
Total Assets	666,274		805,919	526,629

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	10,994	5,917	242,990
Infrastructure	201,861	13,447	-7,504	14,370	-20	222,154
Property funds	249,167	643	-4,806	-43,456	-418	201,130
Total	638,454	70,249	-29,816	-18,092	5,479	666,274

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
Financial assets					
2,681,942	0	0	2,534,232	0	0
249,167	0	0	201,130	0	0
187,426	0	0	242,990	0	0
201,861			222,154		
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
3,356,723	19,120	0	3,233,845	21,949	0
Financial liabilities					
0	0	0	0	0	0
0	0	-2,521	0	0	0
0	0	-5,576	0	0	-5,795
0	0	-8,097	0	0	-5,795
3,356,723	19,120	-8,097	3,233,845	21,949	-5,795
3,367,746			Total		
			3,249,999		

Notes to the Pension Fund Accounts (continued)

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

31-Mar-22		31-Mar-23
£000		£000
Financial assets:		
229,377	Fair value through profit and loss	-165,221
99	Loans and receivables	-747
Financial liabilities:		
1	Fair Value through profit and loss	-2
-48	Loans and receivables	-78
229,429	Total gains/(losses)	-166,048

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:

31-Mar-23	Value as at	% (rounded)	Value on	Value on
Asset Type	31-Mar-23	Change	Increase	Decrease
	£000		£000	£000
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	201,130	15.5	232,305	169,955
Private Equity	242,990	31.2	318,803	167,177
Infrastructure	222,154	14.7	254,811	189,497
Cash and other investment balances	35,864	0.3	35,972	35,756
Total Assets	3,234,160		3,765,350	2,702,970

31-Mar-22	Value as at	% (rounded)	Value on	Value on
Asset Type	31-Mar-22	Change	Increase	Decrease
	£000		£000	£000
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
Total Assets	3,354,758		3,910,106	2,799,410

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
638,837	Total	579,685

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
Total change in assets available	579,685	585,482	573,888

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
Total change in assets available	638,837	645,226	632,448

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
Total	3,967	4,006	3,928

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
Total	5,478	5,533	5,423

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
Total	1,570,287	132,282	1,702,569	1,438,005

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
Total	1,657,323	132,827	1,790,150	1,524,496

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
Money market funds			
Northern Trust Global Investors Global Cash Fund	AAAm	36,327	33,295
Bank deposit account			
Barclays Bank	A-1	8,659	14,109
Bank current accounts			
Northern Trust custody accounts	A-1+	47	44
Total		45,033	47,448

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 £666.3m, which represented 20.5% 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

Future life expectancy based on the actuary's fund-specific mortality review was:

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
-4,373	Present value of promised retirement benefits	-3,136
3,368	Fair value of scheme assets (bid value)	3,249
-1,005	Net liability	113

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
Debtors:	
2,044 Contributions due – members	1,850
6,286 Contributions due – employers	5,505
1,575 Other debtors	170
9,905	7,525
8,659 Cash balances	14,109
8,659	14,109
18,564	21,634

22. CURRENT LIABILITIES

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

23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

31-Mar-22	31-Mar-23
£000	£000
5,444 Prudential	5,234
645 Standard Life	545
6,089	5,779

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
2,248	2,233

Total contributions of £829k (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
59	-142

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 £155.0m (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.

Collectively as at 31st March 2023, the ACCESS Pool has significant scale with assets of £59bn (of which 59% has been pooled) serving 3,459 employers with 1.192 million members including 339,058 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.

The INTERIM Audit Findings Report for Northamptonshire Pension Fund

Year ended 31 March 2023

26 October 2023



Contents



Your key Grant Thornton team members are:

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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and will be discussed with the Pensions Committee.

Grant Patterson

Name: Grant Patterson

For Grant Thornton UK LLP

Date: 26 October 2023

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.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Northamptonshire Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work was completed remotely during July-September. Our findings are summarised on pages 23 to 27.

We have identified one adjustment to the financial statements that has resulted in a £7.6m adjustment to the Pension Fund's reported financial position. This is the result of a time lag in information being available to the Fund when it has to prepare its accounts. It is common in the sector and, in our view, does not constitute a control weakness at the Fund as management's process for calculating the estimate has not resulted in a material misstatement. Audit adjustments are detailed in Appendix D.

We have also raised recommendations for management as a result of our audit work in respect of:

- One instance of self-authorisation of a journal, and
- A segregation of duty matter in respect of access to Altair.

These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, at this stage, subject to the following outstanding matters:

- completion of the 2020/21 audit and review by Grant Thornton of predecessor audit file (to obtain assurance over opening balances);
- review of approved and signed management representation letter;
- finalisation of IT General Controls (ITGC) work – see page 13 for more information;
- review of the Annual Report; and
- review of the final set of financial statements.

Our anticipated opinion on the financial statements will be unmodified.

Whilst our work on the Pension Fund financial statements is complete, we will be unable to issue our audit opinion on the Pension Fund financial statements until the audit of the Administering Authority is complete. A draft opinion and letter of representation will be shared with management and agreed for inclusion of the final version of the report to coincide with conclusion of the 2022/23 audit of the Administering Authority.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report on publication of the Council's audited financial statements. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the Administering Authority until this work has been completed.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk)

We would like to thank everyone at the Pension Fund for their support in working with us to finish our audit work. A good working relationship has been established, with working papers and supporting documentation supplied in a timely fashion and to a good standard.

Local context - triennial valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Hymans Robertson, and showed that and showed that the solvency funding level is 113% therefore the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. The results of the latest triennial valuation are reflected in note 19 to the financial statements. These valuations also provide updated information for the net pension liability on employer balance sheets.

We have performed testing of the completeness and accuracy of triennial valuation source data. This was to support our work providing assurances to auditors of employer bodies. As part of this work, we tested a sample 25 and found the source data to be complete and accurate. This additional testing is only required after each triennial review, rather than annually. See Appendix E for the impact of this work on our 2022/23 audit fee.

Change in Key Audit Partner

Ciaran McLaughlin has now left the Firm. Grant Patterson will pick up his role of Key Audit Partner on the Fund's audit. Grant is an experienced public sector auditor and is the Firm's Public Sector (LGPS) Pension Lead.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management prior to the Committee date..

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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 for the preparation of the financial statements.

For Northamptonshire Pension Fund, the Audit Committee fulfil the role of those charged with governance. The Pensions Fund Committee considers the draft financial statements and is part of the overall member oversight process.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit strategy, which was communicated to you on 24 July 2023.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, and a satisfactory review of the predecessor audit file we anticipate issuing an unqualified audit opinion to coincide with the completion of the 2022/23 audit of West Northamptonshire Council. These outstanding items include:

- completion of the 2020/21 audit and review by Grant Thornton of predecessor audit file (to obtain assurance over opening balances);
- review of management representation letter;
- finalisation of ITGC work - see page 13 for more information;
- review of the Annual report; and
- review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. A good working relationship has been established, with working papers and supporting documentation supplied in a timely fashion and to a good standard.

2. Financial Statements



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.

Materiality level remain the same as reported in our audit plan on 24 July 2023.

We have revised the performance materiality percentage to reflect the materiality levels set by auditors of the admitted bodies in the Fund. This is to ensure we have not determined a level of performance materiality that is too high for the purposes of the audit of the admitted bodies.

We set out in this table our determination of materiality for the Pension Fund.



2. Financial Statements

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	48.1m	Materiality is calculated as approximately 1.5% of gross assets per the draft accounts. We deem this to be a level above which errors or omissions would alter the economic decisions of users of the accounts.
Performance materiality	30.1m	Based on the internal control environment at the Fund we determined an initial performance materiality, which we subsequently reduced to consider the materiality levels set by the auditors of admitted bodies.
Trivial matters	2.4m	We deem matters below 5% of materiality to be sufficiently trivial not to warrant drawing to the attention of the Committee.
Materiality for fund account	12.9m	Materiality is calculated as approximately 10% of gross expenditure in the prior year draft accounts. We deem this to be a level above which errors or omissions would alter the economic decisions of users of the accounts.

2. Financial Statements: Significant risks

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.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that management override of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of assets and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatements</p>	<p>We have:</p> <ul style="list-style-type: none"> • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. <p>We identified an issue in relation to management override of controls. The Pension Fund’s journals control environment includes a control to ensure appropriate segregation of duties are in place around journal postings and authorisations. Our audit procedures identified a self-authorised journal posted in the financial year. To address the risk, we have gained assurance that the journal in question was appropriate. We have also extended our testing of journals to gain assurance that this was an isolated instance. We are satisfied that we have gained sufficient assurance that no material misstatements have occurred. See Action plan (p.22) for more detail.</p>
<p>Improper revenue recognition</p> <p>Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>As external auditors in the public sector, we are also required to give regard to Practise Note 10, which interprets the ISA in a public sector context and directs us to consider whether the assumption also applies to expenditure.</p>	<p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue and expenditure recognition can be rebutted, because:</p> <ul style="list-style-type: none"> - There is little incentive to manipulate revenue and expenditure recognition; - Opportunities to manipulate revenue and expenditure recognition are very limited; and - The culture and ethical frameworks of local authorities, including the administering authority, West Northamptonshire Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore, at the planning stage we did not consider this to be a significant risk for Northamptonshire Pension Fund. We have continued our risk assessment throughout the audit and have not identified any circumstances indicating a requirement to alter this decision.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of Level 3 investments

The Fund values 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.

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.

Under ISA 315, significant risks often relate to significant nonroutine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgements to reach an appropriate valuation at year end.

Management utilise the services of investment managers as valuation experts to estimate the fair value of these assets.

We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement and a key audit matter

We have:

- evaluated management's processes for valuing Level 3 investments and performed a walkthrough to confirm that controls are implemented as designed
- reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments to ensure the requirements of the Code are met;
- independently requested year end confirmations from investment managers;
- for a sample of investments, tested 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;
- obtained and reviewed service audit reports for the investment managers where available; and,
- completed sample testing of purchases and sales to prime documentation across the period to support out reconciliation of the opening and closing balances;

Per the results of our work, we are satisfied that management's process for estimating the valuation of Level 3 assets is sufficiently robust. We did not identify any instances where management did not have an appropriate basis for arriving at an estimate.

A key challenge in this area is the impact of timing delays in valuation of assets. As a proportion of the Level 3 assets are held in the Net Assets Statement at their 31 December valuation adjusted for known cash movements, there will inevitably be a variance between the Net Asset Statement and the valuations per the final 31 March capital statements, which typically are received during the audit.

Having assured ourselves of the reliability of valuations provided by the Investment Managers by, as described above, reviewing investor statements at the audited accounts date to gain an independent assessment of the valuations on a sample basis, we were then able to quantify the impact of this timing variance on the financial statements – this has resulted in an adjusted misstatement of £7.6m. This is not material but above our trivial threshold and therefore we are required to report the value to members of the Committee. Management have opted to amend the accounts in this instance.

Our work has indicated that we can take reasonable assurance that the value is not materially misstated. As referred to previously, this is a function of the nature of LGPS Funds and therefore not attributable to any control weaknesses within the organisation.

2. Financial Statements: Other risks

Risks identified

Local Government Pension Scheme triennial valuation

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.

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.

Commentary

IAS 26 requires the actuarial present value of promised retirement benefits to be disclosed. It gives three options for disclosure:

Option A - in the net assets statement, in which case it requires the statement to disclose the resulting surplus or deficit

Option B - in the notes to the accounts

Option C - by reference to this information in an accompanying actuarial report.

The Fund have adopted Option B therefore we have completed the following work:

- reviewed the methods used to calculate the estimate, including the models used;
- reviewed the actuarial reports and assessed the reasonableness of the assumptions made in the reports;
- performed 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;
- evaluated the adequacy and accuracy of the disclosures related to the LGPS triennial valuation within the financial statements.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £666.3m	<p>The Pension Fund holds a quantity of investment assets which are deemed to be “hard to value” (also referred to as Level 3 within the IFRS Fair Value hierarchy). These are typically funds holding private equity, infrastructure and property assets. In total these are valued on the balance sheet as at 31 March 2023 at £666.3m.</p> <p>These investments are not traded on an open exchange or market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management obtains periodic valuations of these assets prepared by its fund managers. The Fund also works with advisors who take an independent view of the Fund’s overall performance against the market, enabling management to identify and challenge outliers if possible.</p> <p>Management also obtains Service Auditor Reports for its investment managers and audited accounts for individual funds where available to add a further layer of independent assurance to the valuations provided.</p> <p>The value of the Fund’s holding of level 3 assets has increased by approximately £27.8m (PY; £638.5m). This movement can be explained by a net increase of assets via investment purchases which is offsetting a net decrease in market movements.</p> <p>As noted earlier in the report, due to the nature of these assets, valuations are frequently received in arrears and, as such, per the Fund’s accounting policies a number of assets are held at the December 31 valuation (or similar), adjusted for known cash movements such as purchases or distributions. As such there will inevitably be a variance noted when management’s estimate is compared to actual March 31 valuations received post year end. Working with management, we have been able to quantify this in full, noting a positive variance of £7.6m between management’s estimated valuation as at the balance sheet date and updated valuations using more current investor statements. Management have opted to amend the accounts in this instance.</p>	<ul style="list-style-type: none"> • Evaluated management’s processes for valuing Level 3 investments and performed a walkthrough to confirm that controls are implemented as designed • reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments to ensure the requirements of the Code are met; • independently requested year end confirmations from investment managers; • for a sample of investments, tested 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; and • obtained and reviewed service audit reports for the investment managers where available. 	Light purple

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- [Light Purple] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £2,532m	<p>The Pension Fund have investments in various pooled investment vehicles and other funds that in total are valued on the net assets statement as at 31 March 2023 at £2,532m. Some of the investments are not traded on an open exchange or market and the valuation of the investment is subjective.</p> <p>In other cases, the valuation is an aggregate of a number of underlying assets and, as such, the valuation is opaque. In order to determine the value, management uses figures provided by investment managers, supplemented by reviews of Service Auditor Reports, Audited financial statements and other market data as relevant.</p> <p>The value of the Fund's holding of Level 2 assets has decreased by approximately £150m (PY; £2,681.7m). This movement can be explained largely by a decrease in the valuation of pooled investments. This is consistent with our understanding of the wider market conditions.</p>	<ul style="list-style-type: none"> • Evaluated management's processes for valuing Level 2 investments; • reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments to ensure the requirements of the Code are met; • independently requested year end confirmations from investment managers; • for a sample of investments, 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 quoted prices from independent sources, or direct confirmation of capital balances from investment managers and, where available latest audited financial statements; and • obtained and reviewed service audit reports for the investment managers where available. 	Light purple

Assessment

[Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated





[Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic

[Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious





[Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
			Security management	Technology acquisition, development and maintenance	Technology infrastructure		
Pension Administration System (Altair)	ITGC assessment (design and implementation effectiveness only)					Administrative access to Altair was allocated to a user who has operational and financial responsibilities. The combination of operational and financial responsibilities with the ability to administer end-user security is considered a segregation of duties conflict.	We have undertaken further work on journals posted by the user to identify any high risk or unusual financial audit relevant activity with a potentially material impact. No issues identified.
Unit4 ERP Business World	ITGC assessment (design and implementation effectiveness only).	This system is hosted by West Northamptonshire Council. The 2022/23 audit work on the Council's IT system is not completed at this stage. For the purposes of our risk assessment and planning, we have placed some assurance on the work undertaken in the 2021/22 audit because there have been no major changes to the IT system and processes in the 2022/23 financial year. No deficiencies were identified in the 2021/22 work. We will update this ITGC control findings on completion of the 2022/23 audit work at the Council.				None identified at this stage.	None required at this stage.

Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have not been made aware of any material or other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Fund in conjunction with our final sign off of the Pension Fund accounts. We do not anticipate that any specific representations will be included in relation to particular areas of the accounts. We will agree a draft document with management for inclusion in the final Audit Findings Report.
Audit evidence and explanations	All information and explanations requested from management was provided.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Fund's banking and investment management partners. This permission was granted, and the requests were sent. All the requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.

2. Financial Statements: other communication requirements



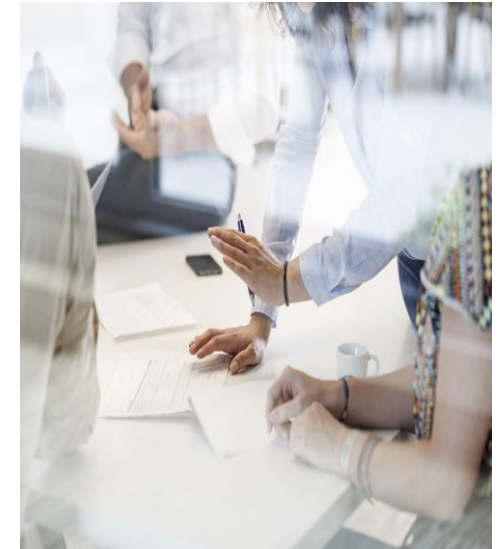
Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Pension Fund and the environment in which it operates the Pension Fund's financial reporting framework the Pension Fund's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude, at this stage, that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. <p>However, our assessment of this consideration will remain ongoing until the final audit report is issued.</p>

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>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. We are required to 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.</p> <p>As the Council's financial statements are not published at this stage, we have not completed this work.</p>
Matters on which we report by exception	<p>We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code.</p> <p>As the Council's audited financial statements are not published at this stage, we have not completed this work. We propose to issue our 'consistency' opinion on the Pension Fund's Annual Report on publication of the Council's audited financial statements.</p>



3. Independence and ethics

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 and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that 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, 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.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

3. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. No non-audit services were identified which were charged from the beginning of the financial year to October 2023, as well as the threats to our independence and safeguards that have been applied to mitigate these threats. Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards.

Service	Fees £	Threats identified	Safeguards
Audit related			
IAS 19 Assurance letters for Admitted Bodies	£6,000 and £1,100 per audit letter*	Self-interest (because of the 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 will be small in comparison to the total fee for the audit 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.

These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. All services have been approved by the Pensions Committee. None of the services provided are subject to contingent fees.

**Please note – due to delayed starts to administering authority and other Northamptonshire Local Government audits we have not yet received any requests from employer engagement teams. We will report the final level of IAS 19 fees within the updated version of the AFR to coincide with final sign off of the financial statements.*

3. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Pension Fund that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Pension Fund held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Pension Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Pension Fund.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Pension Fund's board, senior management or staff that would exceed the threshold set in the Ethical Standard.

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Management Letter of Representation
- H. Audit opinion

A. Communication of audit matters to 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	•	
Confirmation of independence and objectivity	•	•
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 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 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 Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

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.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified two recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
	<p>We have identified an instance of a self-authorised journal being posted within the financial year which is not in line with the Fund's controls for recording journal entries. This represents a segregation of duties issue as the posting of journals without appropriate oversight leads a higher risk of fraudulent journal entries impacting the financial statements.</p> <p>To address the risk, we have gained assurance that the journal in question was appropriate. We have also extended our testing of journals to gain assurance that this was an isolated instance.</p>	<p>Management should ensure that procedures are followed and that journals are authorised before posting to avoid segregation of duties risks.</p> <p>Management response</p> <p>Management have accepted the recommendation and informed the relevant teams that journals should not be self-authorised.</p>
	<p>Administrative access to Altair was allocated to user who has operational and financial responsibilities. The combination of operational and financial responsibilities with the ability to administer end-user security is considered a segregation of duties conflict.</p> <p>To address the risk, we have undertaken further work on journals posted by the user to identify any high risk or unusual financial audit relevant activity with a potentially material impact. No issues identified.</p>	<p>Management should ensure that IT user responsibilities are monitored and reviewed to avoid segregation of duties risks.</p> <p>Management response</p> <p>Management have accepted the recommendation. Access for the 'business user' has now been restricted to view only.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of Northamptonshire Pension Fund Pension Fund's 2021/22 financial statements, which resulted in one recommendation being reported in our 2021/22 Audit Findings Report. We are pleased to report that management have implemented our recommendation.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<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 requests out earlier this year (12th December) to allow plenty of time to manage the process.</p> <p>The audit team did not identify any issues with missing declarations of interest in 2022/23.</p>

Assessment

Action completed

Not yet addressed

D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net assets for the year ending 31 March 2023.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000
As described earlier in the report, some of the Fund's hard to value assets are valued on a time lag basis, with the value in the accounts reflecting an investor statement balance prior to the balance sheet date adjusted for known cash movements. Following audit procedures, we were able to quantify this timing variance as £7.6m. In our view, this does not constitute a control weakness at the Fund as management's process for calculating the estimate has not resulted in a material misstatement.	(7.6m)	£7.6m	£7.6m
Overall impact	(7.6m)	7.6m	7.6m

D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Per the draft accounts, capital commitments were understated by £40m (draft figure £115.1m, actual £155.1m) due to a transposition error. This is a disclosure issue only and has no impact on the Fund's financial position.	Disclosure should be amended. Management response Disclosure has been amended.	✓
Prior year values for the actuarial present value of promised retirement benefits have been updated to reflect the 2022 Triennial valuation. The figures are consistent with the prior year draft accounts.	Disclosure should be updated to reflect the 2022 triennial valuation. Management response Disclosure has been amended.	✓
Audit procedures noted that the ACCESS Pool asset disclosure was overstated by £1bn (draft figure £60bn, actual £59bn) due to a rounding error.	Disclosure should be amended. Management response Disclosure has been amended.	✓
Audit procedures noted that the draft accounts do not include a disclosure of the audit fee, which is required by the Code.	Disclosure should be added. Management response Disclosure has been amended.	✓
Minor narrative amendments and formatting changes, including updating hyperlinks.	Amendments should be made. Management response Disclosure has been amended.	✓

D. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements. As all assets are revalued as at 31 March 2023 this is not a continuing unadjusted misstatement that impacts upon the 2022/23 financial statements.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Some of the Fund's hard to value assets are valued on a time lag basis, with the value in the accounts reflecting an investor statement balance prior to the balance sheet date adjusted for known cash movements. Following audit procedures, we were able to quantify this timing variance as £8.5m. In our view, this does not constitute a control weakness at the Fund as management's process for calculating the estimate has not resulted in a material misstatements.	(8.5m)	8.5m	8.5m	Not material.
Overall impact	(8.5m)	8.5m	8.5m	

E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee
Scale Fee	55,250
IAS 19 letters for employer body auditors, including testing of 31 March 2022 triennial review *	TBC**
Work on triennial valuation member data *	3,000
Total audit fees (excluding VAT)	58,250 (known element)

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

**Due to delayed starts to administering authority and other Northamptonshire Local Government audits we have not yet received any requests from employer engagement teams. We will report the final level of IAS 19 fees within the updated version of the AFR to coincide with final sign off of the financial statements.

The fees reconcile to the financial statements.

None of the above services were provided on a contingent fee basis. This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.



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WEST NORTHAMPTONSHIRE COUNCIL

AUDIT AND GOVERNANCE COMMITTEE

Report Title Internal Audit Progress Report

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Contributors/Checkers/Approvers

West MO	Cath Whitehead	13/11/2023
West S151	Martin Henry	13/11/2023

List of Appendices

Appendix 1 – Internal Audit 2023-24 Progress Update

Appendix 2 – Actions Tracker

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 31 October 2023.

2. Executive Summary

- 2.1 The Audit & Risk Management 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.

Audit stage	
Not started	9
Planning stage	12
Fieldwork in progress	7
Draft report	1
Completed	6
Total	35

Audit resources

6.2 Since the last progress report to the Audit and Governance Committee in July, the Internal Audit service has been subject to a period of long-term sickness absence amongst the team and a staff vacancy which has significantly impacted on its ability to deliver the planned work for the year, including its responsibilities for the internal audit of the Northants Children’s Trust. In response management have engaged two organisations’ (South West Audit Partnership (SWAP) and BDO LLP) to provide the additional support needed to mitigate the risk. For information, the Internal Audit service will soon be back to full capacity. The absent staff have returned and are getting back up to speed and a Senior Auditor is due to start with the Council in early December.

Audit plan changes

6.3 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.

6.3.1 Audits added to planned work:

- Key financial system: Income processing (WNC/NNC/CCC)
- Key financial system: Debt recovery (WNC/NNC/CCC)
- Council owned properties - health and safety

- Section 106 developer contributions - formal follow up of 22/23 work.
- Community infrastructure levy - formal follow up of 22/23 work.

6.3.2 Audits removed from planned work:

- Key financial system: Payroll (WNC/NNC/CCC/MKC)
- Key financial system: Pension fund administration (Northants and Cambs Funds)

6.3.3 To reflect a previous agreement of the Lead Authority Board for key financial systems audit work to be rotated between partner authority audit teams from 2023/24 onwards, this was formally agreed at a meeting of the Lead Authority Board on 25 October 2023. These changes are reflected above.

Limited assurance audits

6.4 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.

6.5 The full audit reports will be scheduled for consideration at future Audit and Governance Committees.

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

6.6.1 IT Related audits (restricted)

Regular monthly meetings with the Head of IT Operations have been carried out to monitor the progress of the outstanding audit recommendations. A considered action plan has been developed by the team to break down the activity so progress can be monitored against the recommendations more easily. SWAP audit services have been engaged to conduct a follow up on the Disaster Recovery audit and a review of Cyber Security during November/December 2023. Most of the original audit findings for Cyber Security will be followed up as part of the work and any that are not covered will be followed up internally.

6.6.2 IT Carefirst (restricted)

A meeting with the key personnel took place to obtain an update and gain assurance to close off the audit recommendations following review of evidence supplied. A further audit/follow up may be required in 2024/25 as a new system will be implemented in April 2024. A number of recommendations were in relation to documented processes and procedures which will be developed for the new system implementation.

6.6.3 Home to School Transport

An audit meeting took place with the Home to School team to obtain outstanding evidence and perform a walkthrough of manual processes to allow the audit to be closed. All recommendations are satisfied, and a formal follow up report is in the process of being finalised.

6.6.4 Taxi Licensing

Of 13 audit actions, 2 were marked as 'Essential' and the due date is marked as September 2023. A meeting was held in October to start reviewing the evidence relating to manual checks however, there has been a delay in approving the new policy at the Taxi and General Licensing Committee on the 3rd October. The next meeting where the policy will be presented is the end of November. A revisit has been agreed in January with a view to seeing how they are progressing with aligning their processes as per the new policy. Ultimately the implementation dates are now the end of March 2024 for most recommendations.

Audit actions

6.7 Upon audit sign off agreed actions are transferred to the action's tracker (attached as appendix 2) and these actions are followed up with operational teams. We have been successful in reducing the number of overdue actions and are now at 23%. We will continue to work with operational teams to proactively manage actions.

6.8 We currently have 220 actions on the tracker which fall into the following categories:

Classification		Essential	Important		Standard
Not yet due (this would include recommendations where an extension has been agreed)	55	9	38		8
Completed	126	25	84		17
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	34	6	26		2
Total	220	42	151		27
% Not due	21%				
% Completed	53%				
% Transferred	3%				
% Overdue	23%				

Work of the Internal Controls team

6.9 The Internal Controls team aids management with ensuring that robust internal control and risk management frameworks are in place by undertaking informal reviews to identify areas where improvements to the internal control framework are required. A member of the team will work with service areas to agree the scope of the review and work with them to produce action plans for any areas where improvements are required. The team will then continue to work with the service area to ensure that these improvements are implemented.

6.10 The team also deal with ad-hoc queries on business process and have been undertaking compliance monitoring on behalf of service areas for example, retrospective purchase orders.

Service areas the team have worked with during 23/24 so far include: Finance, payroll, DTI, NCT, Transport, Legal and Licensing

Counter Fraud Update

- 6.11 The Counter Fraud team provide service specific engagement, tailored to management and service requirements to promote the awareness of fraud risk and good practice. During 2023/24 the following events have been conducted:
- In May a “National Blue Badge Day of Action” was conducted to promote awareness and support the parking scheme. The exercise focussed on the Northampton Town centre with the Counter Fraud team working with the parking enforcement officers checking badges and giving advice. Over a hundred blue badges were checked throughout the day making sure the badges were valid and not reported lost or stolen. Several drivers were spoken to during the day of action and the reception from genuine badge holders was exceptionally supportive. Four parking tickets were issued, and one badge was confiscated due to being used without the badge holder being present.
 - During August, an all staff briefing and email was issued by the Chief Executive to highlight the misuse of blue badges.
 - In September, new starters within the Revenue & Benefits Service were provided with an overview of fraud.
 - In October, a fraud overview was provided to management of Customer Services and followed up by an all-staff team meeting in November.
- 6.12 During the year, the team has dealt with several referrals. Some of the key themes arising are summarised below:
- **Grant fraud** – the Council administers many different grant schemes which have developed in sophistication in recent years with the implementation of web applications and portals. Grant fraud falls into two main areas:
 - where false information is given at the application stage to falsify eligibility, or
 - failure to declare relevant changes in circumstances affecting entitlement, whilst still receiving ongoing grant payments.
 - **Overlapping contracts** – the team have investigated two cases whereby the individuals were working full time for the Council and full time for another organisation. With more hybrid working this provides a greater opportunity to enable false representation of working in more than one workplace or role. The positives gained by these cases, besides addressing the wrongdoing, is that the incidents have led to a closer collaborative working with HR colleagues to enable rapid and robust engagement to complete this type of investigation in the future.
 - **Money Laundering** – involves disguising financial assets so they can be used without detection of the illegal activity that produced them. The process enables the criminal to transform proceeds of crime into what appears to be legitimate funds. The Council has a duty to refer suspicions of money laundering to the National Crime Agency to investigate. To date, two incidents have been referred as suspected money laundering.

6.13 Investigation outcomes / closed investigations

Housing investigations are a combination of both reactive investigation work referred from the service or from the public. Right to Buy (RTB) reviews and housing application investigations are mainly a proactive response to the high-risk areas and circumstances presented by the applicants. The table below shows the completed housing investigations between April and October:

Case type	Cases closed	Advice given or no further action	Year to date outcomes
Housing tenancy referrals that have been investigated and closed	70	59	<ul style="list-style-type: none"> • 5 Properties have been recovered following 4 sublet investigations and 1 succession matter. These properties will be relet to families in genuine need. • 4 Right to Buy sales due to be completed, however following investigation the tenant withdrew their application or cancelled. • 1 recoverable debt identified during the investigation (£13,926.51 Housing Benefit (HB)). • Debt recovered on a RTB application review prior to completion established; £15,347.49 HB overpayment and £3,356.23 Council Tax Reduction overpayments.
Housing & Homeless Applications investigated and closed	40	25	<ul style="list-style-type: none"> • 15 Housing or Homeless applications have been cancelled or downgraded. • 2 of which were in temporary accommodation properties which were recovered as they had vacated / not been used for purpose intended.
Total	110	84	26

Note:

- 5 properties have been recovered in total, (plus a further two 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 5 recovered properties = £465,000, Cabinet Office estimated value saving.
- 15 housing applications cancelled (£3,240 x 21) = £48,600 Cabinet Office estimated value saving.

6.14 Other service referrals / investigations (between April and October)

Case type / service	Cases Closed	Summary
Revenues & Benefits	37	7 outcomes have been recorded summarised below:

		4 discounts cancelled, 3 of which resulted in the identification of recoverable overpayments.
Blue badge / parking matters	12	1 had a warning letter issued, 4 were given advice, 1 no further action taken and 6 referred to the parking team and/or DWP.
HR / staff matters	7	All matters are investigated in conjunction with HR colleagues. In summary: <ul style="list-style-type: none"> • 4 staff resigned following investigation and prior to disciplinary hearings, • 1 was dismissed following investigation and disciplinary hearing. • 2 - no further action was taken following the investigations, however one of these has since resigned.
Finance	2	Both cases were reviewed but no further action was taken (1 case no issues found following contractor investigation, the other a debt recovery issue / advice given).
Grants	3	HFI grants; 1 case was interviewed under caution and the applicant admitted failing to report changes that would affect their entitlement, causing an overpayment of £2,900, which has been recovered in full. 1 case was reviewed, advice given, and no further action taken. Adaptations – 1 case advice was given to the service.
Adults - NASS	2	Both cases were referred to the service and no further investigation action was taken.
Children’s Trust	16	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.
Total	79	

Note: Relevant staff, managers and external partners are advised of the outcomes and findings.

6.15 These statistics demonstrate our investigation activity in delivering effective outcomes, highlighting the value of fraud and error being disrupted and appropriate further action taken including recovery and/or prosecution as deemed appropriate. The counter fraud resource is targeted to drive future outcomes by way of improvements and raising of awareness in understanding of fraud risk to support a stronger preventative approach to saving money at the outset, but also to address concerns and be able to react to incidents more efficiently and effectively.

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.

Audit	Plan Status*	Assurance		Actions Classification			Summary of matters raised
		System Design	Compliance	Essential	Important	Standard	
Carried Forward (from 22/23) i.e. incomplete at issue of Annual Audit Report 22/23 (July 2023)							
Corporate health & safety	Draft report stage	Limited	Limited				Note: Where the draft report has been issued the opinion is classified as provisional until the final report has been issued.
Performance management	Completed	Good	Satisfactory	2	0	0	<ul style="list-style-type: none"> Performance framework be made more prominent on intranet. Greater communications to embed the process for producing service plans at directorate and service level. More effective monitoring of service plan development.
Lease car arrangements	In progress						Management request. Audit fieldwork nearing completion.
Corporate complaints management	Completed	Briefing Note Report		0	4	0	<ul style="list-style-type: none"> Compliance with policy continues to be embedded throughout services.
Adults – commissioning framework	Completed	Briefing Note Report		0	1	0	<ul style="list-style-type: none"> To develop and maintain a WNC Adult Social Care fees and charges policy.
WNC partner audit							
Payroll 22/23 (incl. payroll control account reconciliations)	Completed	Satisfactory	Satisfactory	0 (2)	3 (2)	1 (0)	<ul style="list-style-type: none"> Documented operational procedures be produced to ensure roles and responsibilities are clearly communicated and consistently applied. Inclusion of performance reporting for the recovery of payroll overpayments in respect of ex-employees to the Lead Authority Board. Payroll IT access role conflicts to be addressed and measures put in place for prompt review. Implementation of various recommendations to improve the monitoring and reporting in respect of payroll control account reconciliations.
Northamptonshire Pension fund Administration 22/23	Completed	Substantial	Substantial	0	0	0	Reported separately to the Pensions Fund Committee and Local Pension Board.

Audit	Plan Status*	Assurance		Actions Classification			Summary of matters raised
		System Design	Compliance	Essential	Important	Standard	
ERP Gold IT user access controls 22/23	Completed	Good	Good	0	2	0	<ul style="list-style-type: none"> • A more robust system for recording and retaining evidence of review and approval for superuser access. • Escalation of potential user access conflicts.
Plan 2023/24							
IT disaster recovery (limited assurance 22/23 formal follow up)	In progress						
IT cyber security (limited assurance 22 /23 formal follow up)	In progress						
Temporary staff: non-Opus / long placements	In progress						
IT systems: Carefirst (limited assurance 22/23 formal follow up)	In progress						
Home to school transport (limited assurance 22/23 formal follow up)	In progress						
Contract management: parking (limited assurance 22/23 formal follow up)	In progress						
Net zero strategy	Planning						
Homelessness prevention	Planning						
Schools – individual school audits	Planning						
Medium term financial plan	Planning						
Transformation delivery	Planning						
Council owned properties - health and safety	Planning						
Taxi licensing (limited assurance 22/23 formal follow up)	Planning (moved to Q4)						
Section 106 developer contributions 22/23 formal follow up	Planning (moved to Q4)						
Community infrastructure levy 22/23 formal follow up	Planning (moved to Q4)						

Audit	Plan Status*	Assurance		Actions Classification			Summary of matters raised
		System Design	Compliance	Essential	Important	Standard	
Key financial systems: Income processing (WNC/NNC/CCC)	Not started (Q3)						
Key financial systems: Debt recovery (WNC/NNC/CCC)	Not started (Q3)						
Corporate health and safety 22/23 (limited assurance formal follow up)	Not started (Q3)						
Wider strategy sustainability review	Not started (Q4)						
Local area partnerships	Not started (Q4)						
Contract management: leisure services	Not started (Q4)						
Schools – thematic audit	Not started (Q4)						
Rural bus services	Not started (Q4)						
Property management (Concerto - new asset management system)	Not started (Q4)						
Shared service audits – Cambridgeshire County Council							
Northamptonshire pension fund administration	Planning						
Payroll	Planning						
Shared service audits – North Northamptonshire Council							
Accounts Payable	Planning						

Plan 2023/24 - Cancelled / removed / covered by other audits (as reported in progress update reports)	Committee Reported	*Plan Status - audit progress is measured within several stages:
DTI Telephony procurement - review	July 2023	<ul style="list-style-type: none"> ○ Not started ○ Planning ○ Fieldwork in progress ○ Fieldwork complete / draft report being prepared. ○ Draft Report issued / considering or awaiting management response. ○ Completed - Final Report issued.
Key financial system: Payroll (WNC/NNC/CCC/MKC)	November 2023	
Key financial system: Pension fund administration (Northants and Cambs Funds)	November 2023	

Grant	Audit Status *	Assurance
Grant Verification Work		
WNC - LA Covid-19 Test & Trace Contain Outbreak Management Fund (COMF) 2022/23	Completed	Certification provided
WNC - Disabled Facilities Grant 2022/23 (+ 2021/22 Follow Up)	Completed	Certification provided; follow up in progress.
WNC - Bus Recovery Grant 2021/22	Draft report	
WNC - LA Bus Subsidy (Revenue) Grant 2021/22	In progress	
WNC - Local Transport Capital Block Funding 2022/23	In progress	
WNC - LA Bus Subsidy (Revenue) Grant 2022/23	In progress	
WNC - Bus Recovery Grant - Extension 2022/23	Planning	

APPENDIX 2

WNC 2021 - 22 & 2022-23 recommendations									
Audit	No. Essential	No. complete	No. outstanding	No. Important	No. complete	No. outstanding	No. Standard	No. complete	No. outstanding
Government Procurement Cards (GPCs)	0	0	0	3	3	0	0	0	0
Key Governance Documents, Policies & Records	0	0	0	15	11	4	0	0	0
WNC Payroll	1	0	1	2	2	0	0	0	0
General Ledger	0	0	0	4	4	0	0	0	0
Legacy Bank Accounts	0	0	0	6	6	0	0	0	0
Bank Reconciliations	0	0	0	2	2	0	1	1	0
Treasury Management	4	3	1	3	1	2	1	1	0
Accounts Payable	0	0	0	0	0	0	0	0	0
Income (Accounts Receivable)	0	0	0	0	0	0	0	0	0
Accounts Receivable - Debt Recovery	0	0	0	0	0	0	0	0	0
Financial Management - Monitoring	0	0	0	1	1	0	0	0	0
IT - Financial Controls	0	0	0	3	3	0	0	0	0
Risk Management	0	0	0	3	0	3	0	0	0
MTFP	0	0	0	0	0	0	1	1	0
Northants Pension Fund	0	0	0	7	6	1	0	0	0
Cambridgeshire Pension Fund	1	1	0	6	5	1	0	0	0
From Safe & Legal to BAU	0	0	0	3	3	0	1	0	1
Information Governance	1	0	1	7	5	2	0	0	0
Cyber Security	10	7	3	3	1	2	0	0	0
Home to School Transport	7	7	0	3	3	0	4	4	0
Housing & Council Tax Benefits	1	0	1	4	1	3	0	0	0
Leisure Services Establishment	0	0	0	2	0	2	0	0	0
IT Carefirst System - WNC & NCT	4	4	0	2	2	0	2	2	0
Emergency Planning	0	0	0	2	2	0	0	0	0
IT Disaster Recovery	0	0	0	7	2	5	0	0	0
Payroll Transactional Testing	0	0	0	1	1	0	3	3	0
Parking Contract Management	0	0	0	2	2	0	0	0	0
Council Tax	1	0	1	8	0	8	0	0	0
The Local Transport Capital Block Funding Grant 2021/22	0	0	0	3	0	3	0	0	0
Taxi Licensing	2	0	2	6	1	5	5	2	3
Procurement	2	2	0	5	5	0	2	2	0
Independent Care Payments	0	0	0	3	2	1	0	0	0
Disabled Facilities Grant (DFG) - Audit Verification	2	0	2	3	2	1	0	0	0
Safeguarding Vulnerable Adults	1	1	0	6	1	5	1	1	0
Business Rates	0	0	0	7	1	6	1	0	1
Section 38 Road Adoptions	1	0	1	5	4	1	0	0	0
ERP Gold IT User Access Controls	0	0	0	2	0	2	0	0	0
Payroll (incl Payroll Control Account Recs)	0	0	0	3	0	3	1	0	1
Payroll Control Account Recs (included in Payroll audit 22-2)	2	0	2	4	2	2	0	0	0
Retrospective Purchase Orders	0	0	0	1	0	1	4	0	4
Corporate Health & Safety Review	0	0	0	0	0	0	0	0	0
Corporate complaints management	0	0	0	4	0	4	0	0	0
Performance Management	2	0	2	0	0	0	0	0	0
TOTAL	42	25	17	151	84	67	27	17	10
Total number of recommendations	220	59.5%	40.5%		55.6%	44.4%		63%	37%
Total outstanding	94								
% outstanding	43%								
Classification		Essential	Important	Standard					
Not yet due (this would include recommendations where an extension has been agreed)	55	9	38	8					
Completed	126	25	84	17					
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	34	6	26	2					
Total	220	42	151	27					
% Not due	21%								
% Completed	53%								
% Transferred	3%								
% Overdue	23%								

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WEST NORTHAMPTONSHIRE COUNCIL

AUDIT AND GOVERNANCE COMMITTEE

21 November 2023

Update on Financial Statements

Audra Statham – Assistant Director - Accountancy

Contributors/Checkers/Approvers

West MO	Cath Whitehead	20/11/2023
West S151	Martin Henry	20/11/2023

List of Appendices

None

1. Purpose of Report

- 1.1 The purpose of this report is to provide recommendations on how to proceed with producing 21/22, 22/23 and 23/24 Statement of Accounts for WNC and their subsequent audit.

2. Executive Summary

- 2.1 The report sets out the issues and constraints surrounding the production of WNC's Statement of Accounts for the financial years 21/22, 22/23 and 23/24 and their associated audits. It details the national proposals by Government for dealing with the backlog of unaudited accounts.

3. Recommendations

- 3.1 It is recommended that the Committee:

- a) Cease the 2021/22 audit in advance of the Government announcement.

4. Reason for Recommendations

- 4.1 The recommendation is necessary for work to continue to finalise the 21/22 Statement of Account and produce the 22/23 Statement of Account by Feb/Mar 2024. The accounts will still be produced but they will not be audited. This will put the authority in the best position to complete the 23/24 Statement of Account within the statutory deadlines.

5. Report Background

- 5.1 Local government bodies are required to publish accounts with an auditor's certificate or opinion by 30 September or to explain the reasons for non-publication. Nationally, at the publishing date of 30 September 2023, only 5 out of 467 local government bodies' 2022/23 audit opinions have been given. This adds to the 456 that are outstanding from previous years. This brings the cumulative position to 918 of delayed audit opinions.
- 5.2 WNC currently has 2021/22 and 2022/23 Statement of Accounts outstanding, which are included in the total position of 918 above. The delay has been brought about due to the number of legacy Statement of Accounts that were outstanding as at vesting day 1st April 2021 and because the opening balances for WNC need to be agreed. These opening balances cannot be agreed until all the previous accounts have been audited and opening balances for the two new authorities that were created also agreed.
- 5.3 Just one week before vesting day there were ten sets of accounts outstanding, all of which have now been concluded (subject to the approval of the final 20/21 NCC Statements presented elsewhere on tonight's agenda are approved) It was not possible to commence with WNC's statements until this work was largely concluded due to the closing balances of the predecessor authorities becoming the opening balances of WNC and NNC.
- 5.4 Given the backlog of unaudited accounts across the Country, the National Audit Office (NAO) and DLUHC intend to set a statutory deadline for accounts preparers and auditors to clear the backlog of delayed audits for financial years 2015/16 to present of 31 March 2024. This is subject to approval by the Minister (previously Lee Rowley, now Stephen Hoare), consultation and passing of the legislation. The Audit Code of Practice will also need to be altered to require auditors to issue an opinion by this date. While there is some work to be done to prepare the legislation and alter the Audit Code, it is believed that this date will not change and that the necessary guidance and legislation will be in place by 31 December 2023.
- 5.5 It is expected that all account audits (up to and including 2022/23) not completed prior to or on 31 March 2024 under the normal procedures will be subject to the 31 March 2024 backstop and a disclaimed audit opinion will need to be issued by this date.
- 5.6 This deadline will result in qualifications and disclaimers of opinion in the short term for many local authorities, including WNC. Government believe that these steps are necessary to reset the system and to restore the assurance which is provided by timely annual audits.
- 5.7 Where an auditor has to issue a disclaimer of opinion, however, there will still be a need to audit the opening balances of the subsequent set of accounts, as the prior year figures will not be covered by an unqualified auditor's opinion. The Government is seeking to ensure that work to clear the backlog of accounts takes place within a limited window of time. It will therefore

consider measures to address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years and ensure the burden of auditing opening balances does not risk creating further delays.

6. Issues and Choices

Preparation of Financial Statements

- 6.1 If the backstop is implemented it will not be possible to produce both the 2021/22 and the 2022/23 Statements and have them audited by 31 March 2024.
- 6.2 We will still need to prepare accounts for 2021/22 and 2022/23 by 29 February 2024 to allow sufficient time to review the accounts and have a disclaimed opinion issued by 31 March 2024.
- 6.3 To meet these extremely tight timescales we would need to cease the 2021/22 audit to be able to progress with producing the 2022/23 Statement and then begin to concentrate on the smooth closure and audit of 2023-24 accounts

Opening Balances Audit

- 6.4 Assuming our 2022/23 accounts will be disclaimed our auditors will be required by auditing standards to undertake an opening balances audit for 2023/24.

Conclusions

- 6.5 The proposed backstop date is subject to approval by the Minister (previously Lee Rowley, now Stephen Hoare), consultation and passing of the legislation. It may be that the proposal does not pass into legislation.
- 6.6 It is not possible to audit both our 2021/22 and 2022/23 accounts by 31 March 2024, given that 2022/23 haven't been produced and the 2021/22 audit is only partially complete. It would be better use of officers if the audit activity for 2021-22 was brought to a close so we can concentrate on preparing the accounts for 2022-23 and then focus on preparing the accounts for 2023-24 which would then be subject to a full external audit.
- 6.7 Given the high level of uncertainty the decision to cease the 2021/22 audit is based on a risk assessment that it is more likely the backstop will be introduced than not. It would give us the capacity to produce a 2022/23 Statement that would allow for the opening balances of 2023/24 to be audited.
- 6.8 Officers have been in several discussions with our external auditor over this matter who does not object to the approach being proposed. Our external auditor has set his view out in a letter to officers.

7. Implications (including financial implications)

7.1 Resources and Financial

7.1.1 If the 2021/22 audit is not ceased the team will not have the capacity to produce a 2022/23 Statement that then impacts on the timely production of the 2023/24 Statements. The fee for the partial completion of the 2021/22 audit, the audit work involved in issuing a Disclaimer and the additional burden of auditing the 2023/24 opening balance will need to be agreed/negotiated with Public Sector Auditor Appointments (PSAA), Grant Thornton and WNC.

7.2 Legal implications

7.2.1 Legislation will need to be laid before Parliament to enable the legal provisions to be made which would impose a backstop date as set out in the report. The Council will need to comply with any new legislation when it is in force.

7.3 Risk

7.3.1 Having our Statement of Accounts disclaimed may well result in reputational damage but it is recognised that this is a national issue and that WNC had a number of well documented legacy issues to overcome before work could commence on producing statements for WNC.

7.4 Consultation

7.4.1 We have consulted with our external auditor over this approach who does not object to the proposal.

7.5 Consideration by Overview and Scrutiny

7.5.1 No overview and scrutiny comments

7.6 Climate Impact

7.6.1 There are no 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 None

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WEST NORTHAMPTONSHIRE COUNCIL AUDIT AND GOVERNANCE COMMITTEE

21 November 2023

Report Title	Northamptonshire County Council Audit Results Report 2021-22
Report Author	Martin Henry – Executive Director, Finance martin.henry@westnorthants.gov.uk

Contributors/Checkers/Approvers

West MO	Catherine Whitehead	13/11/2023
West S151	Martin Henry	13/11/2023
Other Director/SME (if applicable)		

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 Northamptonshire County Council (NCC) 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 Northamptonshire County Council for 2020-21.

2. Executive Summary

- 2.1 Ernst and Young LLP (EY LLP) were appointed as the County 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 Final 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 Final 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 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.

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Northamptonshire County Council Final Audit results report

Year ended 31 March 2021

November 2023



Private and Confidential

10 November 2023

Audit and Governance Committee
West Northamptonshire Council
C/o One Angel Square
Angel Street
Northampton, NN1 1ED

Dear Audit and Governance Committee Members

Northamptonshire County Council 2020/21 Audit results report

We are pleased to attach our final Audit Results Report. The report updates the status of our audit as presented to the Audit and Governance Committee in April 2022.

Subject to concluding the outstanding matters listed in our report, we expect to include an Emphasis of Matter paragraph in our audit opinion to draw the readers attention to disclosure in the financial statements on the local government reorganisation in Northamptonshire. 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.

We thank the management team of West Northamptonshire Council for supporting this process.

This report is intended solely for the information and use of the Audit and Governance Committee, other members of the Council and senior management of West Northamptonshire Council. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee meeting on 21 November 2023.

Yours faithfully

Janet Dawson

Partner

For and on behalf of Ernst & Young LLP

Encl

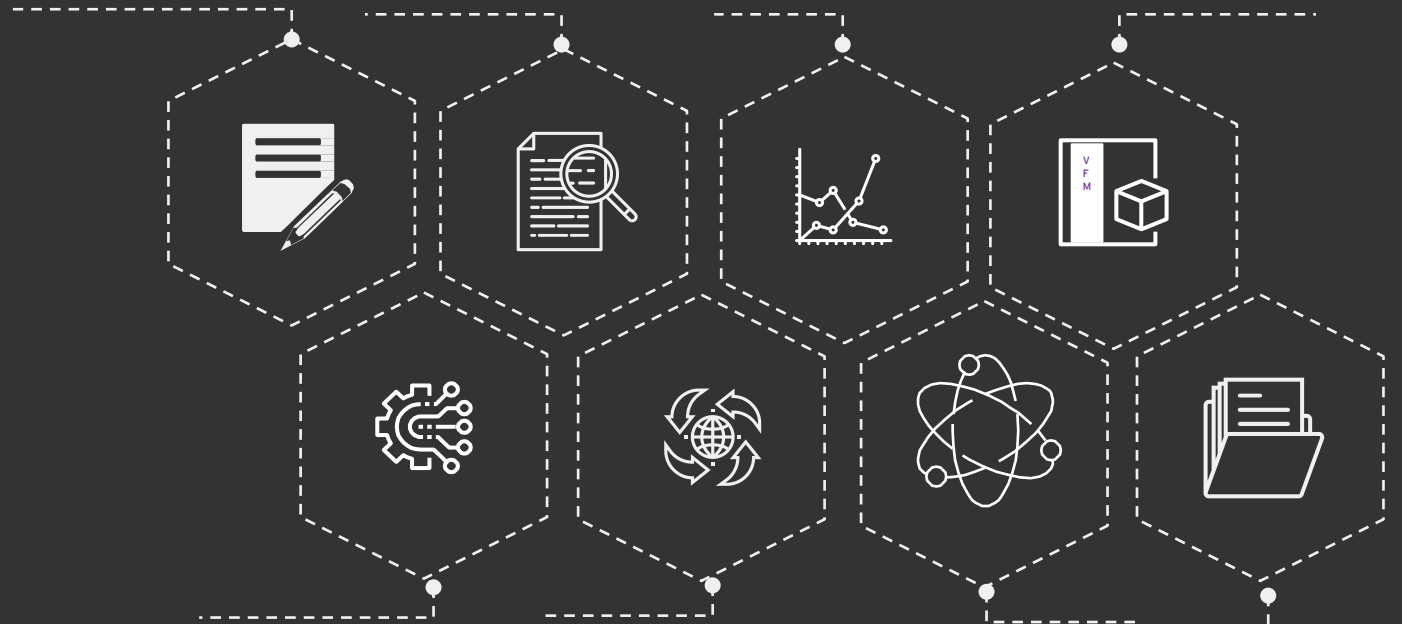
Contents

01 Executive Summary

02 Areas of Audit Focus

03 Audit Differences

04 Value for Money



05 Other reporting issues

06 Assessment of Control Environment

07 Independence

08 Appendices

Public Sector Audit Appointments Ltd. (PSAA) issued the "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/>). The 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 July 2021)" 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 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 or 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 26th January 2022 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 carried out our audit in accordance with this plan, with the following exceptions:

New area of focus

A sector wide issue concerning the value of infrastructure assets was considered by CIPFA and technical teams from public sector audit firms. The issue concerned the writing out of the gross cost and accumulated depreciation on infrastructure assets when a major part/component has been replaced or decommissioned. Full details of the risk are set out in section 02.

Additional audit procedures as a result of Covid-19

As a result of Covid-19, new regulations, the Accounts and Audit (Amendment) Regulations 2021 No 263, were published and came into force on 31 March 2021. This announced a change to the publication date for final, audited accounts from 31 July to 30 September 2021 for all relevant authorities. Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agreed IPE to scanned documents or other system screenshots.

There was no change to our planning materiality assessment as reported in our audit planning report. Based on our materiality measure of gross expenditure our overall materiality assessment remained at £11m. The performance materiality, at 50% of overall materiality, was £5.5m, and the threshold for reporting misstatements was £0.55m.

Executive Summary

Status of the audit

Our audit work in respect of the Council opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report. Details of each outstanding item, actions required to resolve those items and responsibility to do so is included in Appendix D.

Closing Procedures:

- ▶ Subsequent events review;
- ▶ Agreement of the final set of financial statements;
- ▶ Receipt of signed management representation letter; and
- ▶ Final Manager and Engagement Partner reviews.

Audit differences

At the date of this report we have identified:

Adjusted differences above our audit differences threshold of £0.55m

- A mis-coding error of grants and contributions, resulting in a £6m overstatement of creditors and £5.7m overstatement of debtors.
- A mis-coding error of £2.1m between income and expenditure (increasing both income and expenditure).
- A mis-coding error of a 2019/20 provision reversal, between income and expenditure (reducing both income and expenditure).
- A mis-classification error of £3.8m between creditors and receipts in advance.
- A creditor overstatement of £2m impacting expenditure reserves balances.
- A mis-classification error of £7.4m between debtors and creditors.
- A calculation error of £31.4m concerning the re-negotiated PFI scheme. This is a disclosure error concerning Note 41 Service Concession Arrangements (former PFI arrangements). The amendment changes amounts payable in future years.
- An increase in value of One Angel Square of £4.3m, increasing the upwards revaluation reserve (£11m) and decreasing Capital adjustment account (£6.7m).
- An omission of £5.7m debtor and creditor amounts for Covid grants with a corresponding increase to income and expenditure
- An adjustment for Local Government Reorganisation reduction of debtors of £6.2m and corresponding increase to creditors.
- Removal of credit balances within the AR control account of £1.2m, increasing both debtors and creditors

There are 4 unadjusted differences. Full details are included in Section 03 of this report.

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 other matters to report as a result of this work.

The Council did not complete a Whole of Government Accounts (WGA) return, We were therefore unable to complete the WGA audit procedures as instructed by the National Audit Office (NAO). The Comptroller and Auditor General of the NAO has now issued his Certificate and Report on Whole of Government Accounts for 2020/21. There are therefore no further WGA audit requirements.

Executive Summary

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the 2020/21 financial statements of Northamptonshire County Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no residual further considerations or matters that could impact these issues
- ▶ You concur with the resolution of the issue
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Governance Committee or Management.

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 6.

Independence

Please refer to Section 07 for our update on Independence.

Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are 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.

The matters described within section 4 of our report are those we consider to be significant weaknesses in the Council's arrangements. Our final commentary will be included in our Auditor's Annual Report.

Status of the audit - Value for Money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan, we identified significant risks concerning Ofsted findings relating to the areas for improvement identified in Children's Services, and risk management. We have included in Section 04 the detailed work we carried out in response to these risks.

The Council was proactive throughout the 2020/21 financial year in addressing several issues that were identified in the prior year. However, during the year to 31 March 2021, weaknesses in arrangements were still in evidence, as reflected in the Ofsted reviewed of Children's Services during 2020/21. In addition, weaknesses in risk management arrangements remained, with the Corporate Risk Register not being sufficiently comprehensive and not providing sufficient detail of the risks and the related controls in order to be effective in mitigating risks for the Council.

Based on the work we have completed to date, we expect to report by exception, in the form set out in Appendix F, on value for money arrangements, reflecting weaknesses present in the Council's arrangements to fully implement Ofsted inspection findings and risk management during 2020/21.

The findings reflect our assessment of arrangements in place during 2020/21.



02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

Risk of fraud in revenue and expenditure recognition - incorrect capitalisation of revenue 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.

A key way to improve the revenue position is through the inappropriate capitalisation of revenue expenditure.

The Council has a significant fixed asset base and a material capital programme and therefore has the potential to materially impact the revenue position through inappropriate capitalisation.

What judgements are we focused on?

We focused on aspects of the financial statements where management could inappropriately classify expenditure as capital in order to reduce their expenditure:

- Accruals near year end.
- Journal entries intended to re-classify expenditure from revenue to capital.
- The routine classification of expenditure posted during the year as capital.

What did we do?

- For significant additions, we examined invoices, capital expenditure authorisations, leases and other data that support the additions. We reviewed the sample selected against the definition of capital expenditure in IAS 16.
- We extended our testing of items capitalised in the year by lowering our testing threshold. We also reviewed a larger random sample of capital additions below our testing threshold.
- We used our testing of journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised.

What are our conclusions?

Our testing has not identified any material misstatements with respect to incorrect capitalisation of revenue expenditure.



Areas of Audit Focus

Significant risk

Risk of fraud in revenue and expenditure recognition - Incorrect classification of revenue expenditure funded by capital under statute (REFCUS)*

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.

By incorrectly classifying expenditure as REFCUS, the Council could improve the reported revenue position.

What judgements are we focused on?

We focused on aspects of the financial statements where management could inappropriately classify expenditure as REFCUS in order to reduce their expenditure:

- Accruals near year end;
- Journal entries intended to re-classify expenditure from revenue to capital.
- The routine classification of expenditure posted during the year as capital.

What did we do?

We have taken a substantive approach to respond to the specific risk, undertaking the following procedures related to the incorrect classification of expenditure as REFCUS:

- Test a sample of REFCUS items at a lower testing threshold to verify that they have been appropriately classified.

What are our conclusions?

Our testing has not identified any material misstatements with respect to expenditure classified as REFCUS.



Areas of Audit Focus

Significant risk

Risk of fraud in revenue and expenditure recognition - incorrect application of cut-off

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.

We have assessed that an area open to a greater risk of manipulation is in the inappropriate application of cut-off such that expenditure related to the 2020/21 financial year is borne by the successor bodies.

We have also identified a risk relating to the omission of expenditure accruals and overstatement of year end debtor balances again to improve the reported outturn. We have identified the manipulation of year end debtor and creditor balances as the most likely means to impact the reported income and expenditure positions, rather than in year income and expenditure postings.

What judgements are we focused on?

We focused on aspects of the financial statements where management could inappropriately omitted accruals or post overstatements:

- Postings either side of the year end.

What did we do?

We have took a substantive approach to respond to the specific risk, undertaking the following procedures related to the incorrect application of cut-off:

- Extended our cut-off procedures to ensure items of expenditure is recorded in the correct year;
- Tested year-end debtors and creditors at a lower testing threshold to verify they have been recorded at the appropriate amount and in the correct year;
- Extended our testing of unrecorded liabilities.

What are our conclusions?

Our work on the cut-off of creditors (which also addresses our risk of expenditure cut off) has comprised reviewing all items, one month either side of the year-end in excess of our testing threshold. Our testing has not identified any exceptions.

Our testing of unrecorded liabilities has not identified any liabilities which have been omitted from the 2020/21 financial statements. Theses procedures were extended to five months after the year end and included reviewing transactions in the successor Councils.

Our work on testing debtors for one month either side of the year end has not identified any significant issues.

Our work has been completed with no material exceptions identified.



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) 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 did we do?

We perform mandatory procedures to address the general risk of fraud, regardless of specifically identified fraud risks. These include:

- Identifying fraud risks during the planning stages.
- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Assessing accounting estimates for evidence of management bias; and
- Evaluating the business rationale for any significant unusual transactions.

What are our conclusions?

Our testing of journals has identified weaknesses in the control environment which have been outlined in Section 06. These generally relate to difficulties in obtaining information to support journals. We have not however identified any inappropriate journals within our testing that indicate management override of controls.

Our testing of other material estimates such as the pensions liability and land and building and investment property valuations has not identified any significant issues.

Overall, our work has not identified any instances where the controls in place have been circumvented or otherwise overridden by management.



Areas of Audit Focus

Significant risk

Valuation and accounting treatment of One Angel Square (OAS)

What is the risk?

The Council completed the construction of a new purpose built headquarters building in the centre of Northampton in 2017. It subsequently completed a sale and leaseback of this asset on 18 April 2018, with the asset valued at fair value at 31 March 2019.

The Council have revalued One Angel Square during 2020/21. The valuation approach has been changed to Depreciated Replacement Cost, which is typically applied for specialised operational assets for which an active market does not exist.

We have identified a risk concerning the valuation of One Angel Square as this is a significant asset for the Council with a material value and the valuation approach has changed.

What judgements are we focused on?

We focused on the change in valuation methodology between years.

What did we do?

We have taken a substantive approach to respond to the specific risk, undertaking the following procedures related to the valuation of One Angel Square:

- Work with our internal valuation specialists to assess the reasonableness of the valuation, including:
 - Understanding the scope of the work performed by management's specialist;
 - Evaluating the qualifications, experience and independence of the specialist;
 - Evaluating the reasonableness of the methodology applied in the valuation;
 - Testing significant assumptions and inputs;
 - Evaluating the overall reasonableness of the valuation; and
 - Test accounting entries have been correctly processed in the financial statements.

What are our conclusions?

We challenged the Council's application of the depreciated replacement cost (DRC) revaluation methodology as the asset is recognised on the balance sheet as a finance lease asset. The Cipfa code requires non current assets recognised through a finance lease to be valued as the lower of fair value or net present value of lease payments. The Council agreed the DRC methodology was not correct and engaged their valuation specialist to prepare a new valuation report.

Our internal valuation specialists reviewed the revised valuation report. Our specialists concluded that the revised valuation was consistent with valuation practice.

The financial statements were amended to reflect the revised valuation report. This increased the value of OAS by £4.3m.



Audit risks

Other areas of audit focus

What is the area of focus?	What did we do?	What are our conclusion?
<p>Valuation of property, plant and equipment, including investment property</p> <p>The fair value of land and buildings represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>We will specifically focus on assets where a higher degree of estimation uncertainty exists; which for Northamptonshire County Council is those assets valued in year under one of the following valuation methods:</p> <ul style="list-style-type: none"> ➤ Fair Value (such as investment properties); ➤ Depreciated Replacement Cost (specialised operational assets for which an active market does not exist); and ➤ Existing Use Value (operational assets for which there is an active market to provide comparable evidence) <p>Our assessment is that this risk is linked to other land and buildings due to the range of valuation bases and assumptions included within that balance, and to investment properties.</p>	<ul style="list-style-type: none"> ➤ 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; ➤ Sample tested key asset information used by the valuers in performing their valuation; ➤ Considered the annual cycle of valuations to ensure that assets have been valued within an appropriate timescale. ➤ Considered any specific changes to assets that have occurred and that these have been communicated to the valuer; ➤ Tested valuation assumptions used by the valuer for a sample of assets; ➤ Reviewed assets not subject to valuation in 2020/21 to confirm that the asset base not subject to in year valuation is not materially misstated; ➤ Considered changes to useful economic lives as a result of the most recent valuation; and ➤ Tested accounting entries have been correctly processed in the financial statements. 	<p>We have not identified any issues in our work on the valuation of land and buildings including investment property.</p>



Audit risks

Other areas of audit focus

What is the area of focus?	What did we do?	What are our conclusion?
<p>Pension Liability Valuation</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Council's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.</p> <p>ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<ul style="list-style-type: none"> ➤ Liaised with the audit team of the Northamptonshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Northamptonshire County Council. Note that the audit of the Pension Fund is also performed by EY; ➤ 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 considering any relevant reviews by the EY actuarial team; ➤ Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's actuarial model; and ➤ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS 19. 	<p>We have completed our review of the actuary, accounting entries and disclosures and have not identified any issues.</p> <p>Assumptions used by the actuary and adopted by the Authority are considered to be generally acceptable. The sensitivities surrounding these assumptions have been correctly disclosed in the notes to the financial statements.</p> <p>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 to update the draft financial statements.</p> <p>We have no other matters to report in respect of this risk.</p>



Audit risks

Other areas of audit focus

What is the area of focus?

Going Concern

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 states that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.

However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report.

What did we do?

In undertaking this work, as the Council ceased to exist on 31 March 2021, the going concern assessment focussed on the service continuity provided by the two new Unitary Councils. We reviewed the Council's going concern assessment and disclosure for 2019/20 in line with auditing requirements and considered in particular the Council's consideration and disclosure of the impact on the future financial position as a result of Covid-19 and the local government reorganisation.

We also considered whether these disclosures included details of the process that has been undertaken for revising financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions including but not restricted to the use of reserves, and key assumptions (e.g. assumed duration of Covid-19).

Our audit procedures to review these included considerations of:

- Current and developing environment;
- Liquidity (operational and funding);
- Mitigating factors;
- Management information and forecasting;
- Sensitivities and stress testing;
- Challenge of management's assessment, by thorough testing of the supporting evidence and consideration of the risk of management bias.; and
- Continuation of services post local government reorganisation.

What are our conclusion?

We conclude that the UK Parliament enacted plans that do impact on the continued operational existence of the sovereign Northamptonshire Councils beyond 31 March 2021, but that the Council's activities transferred to the two Unitary Councils. Therefore, the going concern basis of preparation of financial statements for each sovereign Council for the period up to 31 March 2021 remains appropriate.

We have reviewed management's assessment for both North Northamptonshire Council and West Northamptonshire Council, and concluded that there is no material uncertainty in the Councils being able to continue with the provision of service. Our conclusion is based on the following key factors:

- Starting budget - We have agreed the starting position to the combined 2020/21 budgets of the Councils being replaced.
- Review of key fundings and savings assumptions built into budgets through to 31 March 2025.
- Review of cash flow forecasting.
- Applying audit modelling and stress testing to Council reserve balances and cash balances.



Audit risks

Other areas of audit focus

What is the area of focus?

Private Finance Initiative

The Local Authority Accounting Code of Practice requires that PFI (Private Finance Initiative) schemes should be accounted for on the basis of IFRIC 12 "Service Concessions".

The Council's total future obligation in relation to its PFI schemes as at 31 March 2021 is £992 million. These values are derived from complex models which reflects a number of assumptions which may change over the life of the contract. Any errors in the model could impact on liabilities and any charges to revenue in year.

The Council renegotiated the Shaw PFI contract during 2020/21. We understand the initial contract included provision of social care services; this element has been removed on renegotiation.

Transfer to Northamptonshire Children's Trust

In 2019, Northamptonshire County Council Children's Social Care services were placed under a "Direction" by the Department for Education for the Council to work with the Secretary of State for Education and/or the Children's Services Commissioner towards the establishment of a council wholly-owned Children's Trust.

Northamptonshire Children's Trust was established on the 1st November 2020 to deliver Children's Social Care services on behalf of the Council.

For 2020/21, the ownership of the Children's Trust is retained by the County Council.

There is a risk that the accounting for the transfer of services from the standalone County Council financial statements and the subsequent consolidation of the Children's Trust into County Council Group Financial Statements, could be misstated.

What did we do?

- Confirmed our understanding of the process of how the PFI models are maintained and updated, including how the output of the models are included within the Council's financial statement closing processes;
- Identified those inputs to the model which are estimates and undertook audit procedures to gain assurance over the reasonableness of these estimates;
- Engaged EY's internal specialists to review the change to the Shaw PFI model to ensure the inputs and accounting are in line with our expectations; and
- Confirmed that year end journal entries in relation to the PFI schemes have been processed accurately.

- Reviewed the accounting for the transfer of the Trust and any associated assets and liabilities;
- Assessed and reviewed the procedures in place to prepare consolidated group financial statements; and
- Tested the transactions performed as part of the consolidation and review the presentation of required disclosures.

At the time of writing our provisional audit plan, the Children's Trust had not appointed an external auditor. An external auditor has now been appointed. We have been liaising with the external auditors of NCT, and have issued them with instructions that detail the required audit procedures they are to undertake on the consolidation schedules prepared by NCT.

What are our conclusion?

We have completed audit procedures on the PFI contracts that have not changed in 2020/21 and have not identified any issues.

Our review of the Deeds of Variation, and calculations in the revised financial model for the Shaw PFI project concluded the Accounting Model is materially consistent with the Cipfa Code requirements.

Audit procedures did identify a disclosure error of £31.4 million in the financial statements. The Council have amended this.

The delay in appointing an external auditor to the Children's Trust resulted in a significant delay in completing our group audit procedures.

The Trust's external auditor have now completed and reported on the procedures set out in our group instructions. We have reviewed the reporting provided and completed a review of the Trust's audit file.

We have also completed testing of transactions performed as part of the consolidation and reviewed the presentation of required disclosures.

Audit work identified a £3.4 million overstatement of both income and expenditure due to an error in accounting for recharges in the Northamptonshire Children's Trust consolidated entries. Management have not amended for this error.

We have not identified any further issues to report.



Audit risks

Other areas of audit focus

What is the area of focus?

Accounting for covid related Government grants

Central Government have provided a number of new and different Covid-19 related grants to local authorities during the year. There are also funds that have been provided for the Council to disseminate to other bodies.

The Council needs to review each of these to establish how they need to be accounted for. It needs to assess whether it is acting as a principal or agent, with the accounting to follow that decision. For those where the decision is a principal, it also needs to assess whether there are any initial conditions that may also affect the recognition of the grants as revenue during 2020/21.

Accounting for infrastructure assets (new risk)

Infrastructure non-current assets are carried in the Balance Sheet at depreciated historic cost.

Where the subsequent expenditure represents the replacement of a component, the old component must be written out of the Balance Sheet.

A sector wide issue has been identified that local authorities are not writing out the gross cost and accumulated depreciation on infrastructure assets when a major part/component has been replaced or decommissioned.

What did we do?

Our approach focussed on:

- ▶ Reviewing the Council's decision for new grant or funding arrangements whether it is acting as principal or agent;
- ▶ Reviewing whether any initial conditions are attached to grants impacting their recognition;
- ▶ Assessing whether the accounting appropriately follows those judgements; and
- ▶ Checking the Council has adequately disclosed grant income received in the year, under both principal and agent arrangements.

Our approach focussed on:

- ▶ Discussing the procedures applied by the authority to ensure the subsequent capital spend is recognised in accordance with the Code;
- ▶ Obtaining evidence to match the subsequent expenditure to the carrying amount of the replaced part or component that is being derecognized;
- ▶ Where the carrying amount of the replaced part or component cannot be identified, testing the authority's use of the cost of the replacement as a proxy for the deemed carrying amount of the replaced part, ensuring the calculation appropriately adjusts the cost for depreciation and impairment; and
- ▶ Considering whether any additional disclosure of material estimation uncertainty is required.

What are our conclusion?

Testing of covid related grants totalling £18 million identified a significant control weakness. The Council had not obtained confirmation from grant recipients that funding had been correctly used. This is a condition attached to the grant. The Council carried out further work to demonstrate that the 3 affected grants (Infection Control, Rapid Testing, and Workforce capacity). were used for the purposes intended and are not therefore owed back to the Government Department.

As a result of this exercise the Council identified £5.7 million where the grant recipient could not support that the funds had been spent in accordance with the conditions. The Council have therefore raised a debtor to the grant recipients to return the funds paid. The Council have also raised a corresponding creditor to pay back the department which issued them.

The Council have taken the statutory override and amended the financial statements in accordance with the Cipfa Code adaptation.

The Council's historic information of the infrastructure assets is not sufficiently detailed to prove the judgement that the components being replaced are fully depreciated or that the remaining balance would not be material.

We have checked the disclosure of infrastructure assets is in accordance with the Cipfa Code adaptation.



03 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 adjusted differences

We highlight the following misstatements greater than £0.55 million which have been corrected by management that were identified during the course of our audit:

- A coding error of £2.1 million between income and expenditure (increasing both income and expenditure)
- A coding error of £2 million concerning a 2019/20 provision reversal, between income and expenditure (reducing both income and expenditure).
- A coding error of grants and contributions, resulting in a £6 million overstatement of creditors and £5.7 million overstatement of debtors .
- A classification error of £3.8 million between creditors and receipts in advance.
- A creditor overstatement of £2 million impacting expenditure and reserves balances.
- Incorrect accounting of credit balances within the Accounts Receivable control account of £1.2 million. The adjustment increased both debtors and creditors.
- A calculation error of £31.4 million concerning the re-negotiated PFI scheme. This is a disclosure error concerning Note 41 Service Concession Arrangements (former PFI arrangements). The amendment changes amounts payable in future years.
- Correcting the valuation methodology for One Angel Square increased the value by £4.3 million. There was a corresponding increase to the revaluation reserve of £11 million, and decrease to the Capital adjustment account of £6.7 million.
- An adjustment to reduce Local Government Reorganisation debtors by £6.2 million and a corresponding increase to creditors.
- An increase of £5.7 million to both debtors and creditors for Covid grants where the conditions had not been complied with. A corresponding was made to income and expenditure.

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:

- Factual error - £3.4 million overstatement of both income and expenditure due to an error in accounting for recharges in the Northamptonshire Children’s Trust consolidated entries.
- Factual error - £0.76 million difference between awarded grant and spent grant to be repaid to a government department (increase both creditors and expenditure)
- Judgemental error in the net assets apportionable from the Northampton Pension Fund. This would increase the pension liability by £2 million, with a corresponding decrease in the pension reserve.
- Judgemental error in investment return apportionable from Northampton Pension Fund of £1 million. This would increase the pension liability, with a corresponding decrease in investment income.

In addition, there have been 48 adjustments to disclosure notes.



04

Value for Money



Value for money

The Council's responsibilities for value for money (VFM)

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.

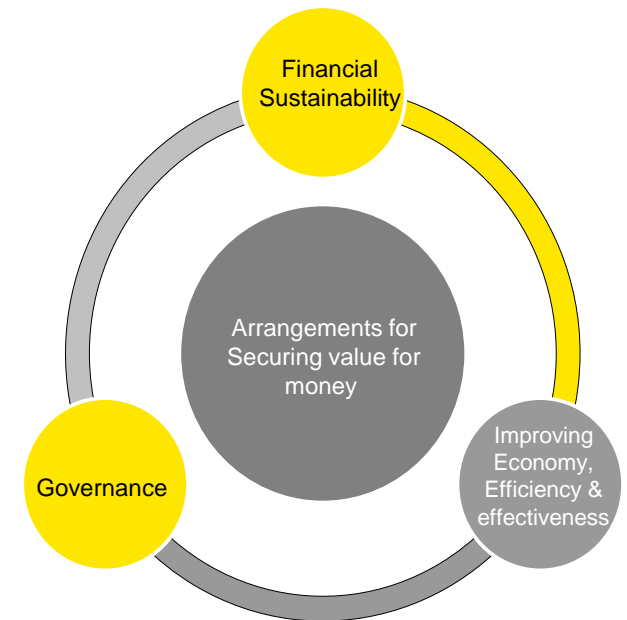
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its 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

In our audit plan we reported to the Committee that we had completed our preliminary VFM risk assessment and identified two areas of focus around arrangements in place in respect of children's services and risk management, both areas were qualified our VFM conclusion in 2019/20:

- **Children's Services** - a revised Statutory Direction was issued to Northamptonshire County Council on 10 June 2019 due to continued poor performance in Children's social care services. This included a Direction for the Council to work with the Secretary of State for Education and/or the Children's Services Commissioner towards the establishment of a wholly owned Council company for the delivery of Children's social care services (or Children's Services trust) in Northamptonshire. Our vfm work for the year ended 31 March 2021 has therefore focussed on progress to address the weaknesses in Children's Services during 2020/21, including the Council's arrangements to established and monitor the delivery of Children's social care services by the Northamptonshire Children's Trust.
- **Risk management** - The Council had a history of weaknesses in its risk management framework. We concluded, in 2018/19 and 2019/20, that there were significant weaknesses in arrangements and qualified our value for money conclusion in this respect. Our vfm work has focussed on how the Council addressed risk management weaknesses identified in 2019/20, specifically maintenance of risk registers, controls intended to address the risks, and training provided to staff on the risk management framework.

We completed our detailed VFM planning and revisited our risk assessment at the execution stage of the audit and have not identified any additional risks.





Value for money risks

What is the significant value for money risk?	What arrangements did the risk affect?	What we did?
<p>Children’s Services</p> <p>Inspections of Children’s Services undertaken by Ofsted in 2016 and 2018 assessed the service as ‘requires improvement’ in all areas.</p> <p>Ofsted undertook one inspection during 2019/20, in June 2019. The Council were rated inadequate in 3 of the 4 areas of inspection. The Ofsted report stated <i>“Northamptonshire’s Children’s Services are failing to keep children safe. While some progress has been made since the Ofsted focused visit in October 2018, there remains a range of significant weaknesses in services whose effectiveness is central to protecting children”</i>.</p> <p>A revised Statutory Direction was issued to Northamptonshire County Council on 10 June 2019 due to continued poor performance in children's social care services. This included a Direction for the Council to work with the Secretary of State for Education and/or the Children’s Services Commissioner towards the establishment of a wholly owned Council company for the delivery of Children’s social care services (or Children’s Services trust) in Northamptonshire.</p> <p>Northamptonshire Children’s Trust was established on the 1st November 2020 to deliver children’s social care services on behalf of the Council.</p>	<p>Take informed decisions</p>	<p>Our approach focused on reviewing the Council’s progress to address the weaknesses in Children’s Services during 2020/21.</p> <p>As part of this we considered:</p> <ul style="list-style-type: none"> ➤ Whether or not the Council made progress against the Northamptonshire Children’s Improvement Plan; ➤ The impact of the actions taken by the Council to respond to the report findings and improve the performance of the service by reference to any external or internal reviews; and ➤ The Council’s arrangements to established and monitor the delivery of Children’s social care services by the Northamptonshire Children’s Trust. <p>On the basis of the work we conclude the Council did not have proper arrangements to respond to the recommendations raised by Ofsted during 2020/21. We will therefore be reporting by exception on the Council’s proper arrangements for securing economy, efficiency, and effectiveness in the use of resource in the form set out in Appendix F.</p> <p>We have provided more detail on our findings on the following pages.</p>



Value for money risks

Detailed findings from our work on the Children's Services vfm risk?

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements.

Ofsted undertook one inspection during 2019/20, in June 2019. The Council were rated inadequate in 3 of the 4 areas of inspection. The Ofsted report stated *"Northamptonshire's Children's Services are failing to keep children safe. While some progress has been made since the Ofsted focused visit in October 2018, there remains a range of significant weaknesses in services whose effectiveness is central to protecting children"*.

A revised Statutory Direction was issued to Northamptonshire County Council on 10 June 2019 due to continued poor performance in children's social care services. This included a Direction for the Council to work with the Secretary of State for Education and/or the Children's Services Commissioner towards the establishment of a wholly owned Council company for the delivery of Children's social care services (or Children's Services trust) in Northamptonshire.

Ofsted undertook a focused visit in October 2020. The report stated that *"Despite unprecedented times due to the COVID-19 pandemic, inspectors found convincing evidence that services for children and young people in Northamptonshire are starting to improve, albeit from a very low base"*. The Ofsted report recognised that the Council *"are working diligently to address the serious and widespread safeguarding concerns that were identified at the ILACS11 inspection in June 2019, and to sustain the improvements that they have achieved in the past year.12"*. The Council made efforts to improve arrangements since June 2019, and these were recognised by Ofsted in its October report. However, the actions taken had not addressed each weakness sufficiently to achieve a rating of 'good' in Ofsted's evaluation.

Ofsted undertook a further monitoring visit in February 2021. In this visit, the inspectors aimed to review the progress made by the Council with the report stating that *"Children's Services transferred to Northamptonshire Children's Trust on 1 November 2020. The trust has continued to build on the positive changes that were already taking place, supported by a permanent director of children's services and the appointment of an experienced chief executive officer"*. Our review of the February 2021 report suggested further improvements had been made since the October 2020 visit, and some weaknesses identified in June 2019 inspection had also been addressed. Nonetheless, there were still a considerable number of weaknesses and actions still to be implemented. Whilst actions have been taken to improve Children's Services, those actions were not fully implemented and operational through 2020/21.

We conclude the Council did not have proper arrangements to respond to the recommendations raised by Ofsted during 2020/21. We will therefore be reporting by exception on the Council's proper arrangements for securing economy, efficiency, and effectiveness in the use of resource.

We also considered the Council's arrangements to establish and monitor the delivery of Children's social care services by the Northamptonshire Children's Trust. We reviewed the Memorandum of Understanding for the Children's Trust and the Council's Children's Trust governance documents. Council arrangements were established to monitor the Trust. For example, the guiding principles, key representatives, stages of establishment, the new organisation model and the Service Delivery Contract were outlined in those documents.

Our review of the Committee minutes, Children's Social Care Improvement Board minutes, and the Ofsted February 2021 report provided evidence of the Council's arrangements to maintain its responsibility to monitor the delivery of Children's Services. The February 2021 Ofsted visit reported *"the Trust has continued to build on the positive changes that were already taking place"*.

We did not identify significant weaknesses in arrangements concerning the establishment and monitoring of the Children's Trust during the year under review.



Value for money risks

What is the significant value for money risk?	What arrangements did the risk affect?	What we did?
<p>Risk management</p> <p>The Council had a history of weaknesses in its risk management framework. We concluded, in 2018/19 and 2019/20, that there were significant weaknesses in arrangements and qualified our value for money conclusion in this respect.</p> <p>The Council has a risk register and has considered specific controls to mitigate the risks identified. Review of the risk registers presented to the Council in prior years however identified flaws and lack of detail in the risks and controls. For example, risks were not sufficiently detailed and it was unclear which controls are intended to address which risks. In addition, the Council had not documented any consideration of the effectiveness of the deployed controls, nor indicated how the adequacy assessment was made. Internal Audit's review of the Corporate Risk Register in 2019/20 found some of the risks were missing triggers and there were omissions from the control environment.</p> <p>This results in a risk that failure to properly identify, address and monitor risks will limit the Council's ability to make informed decisions and deploy resources sustainably.</p>	<p>Take informed decisions / Deploy resources in a sustainable manner</p>	<p>Our approach focused on reviewing the arrangements at the Council during 2020/21.</p> <p>As part of this we considered:</p> <ul style="list-style-type: none"> ➤ Whether or not the risk registers were effectively maintained by the Council, and reviewed and updated on a regular basis; ➤ Whether risks were sufficiently detailed concerning the controls intended to address the risks; ➤ How the Council addressed risk management weaknesses identified by Internal Audit in 2019/20, and ➤ Identifying and obtaining evidence of how training is provided to staff on the risk management framework. <p>On the basis of the work we conclude there were significant weaknesses in risk management arrangements during 2020/21. We will therefore be reporting by exception on the Council's proper arrangements for securing economy, efficiency, and effectiveness in the use of resource. in the form set out in Appendix F.</p> <p>We have provided more detail on our findings on the following pages.</p>



Value for money risks

Detailed findings from our work on the Risk management vfm risk?

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls; including arrangements to prevent and detect fraud.

The creation and maintenance of a risk register shows the Council had a proactive approach to risk management, and that it had considered specific controls to mitigate the risks identified. Review of the risk registers presented to the Council throughout the year however identified flaws and lack of detail in the risks and controls. For example, the criteria to assess risks were unclear with some risks lacking sufficient action plans. Moreover, not all triggers had corresponding controls to address them. The comparison of risk registers throughout the year also suggested that some risks had not been updated on a timely basis.

Overall, despite regular review of the risks by the Audit Committee, many risks had not been updated to reflect the changes in the risk landscape and the Corporate Risk Register was not sufficiently comprehensive. This limited the Council's ability to identify, monitor, and mitigate the risks. In addition, the apparent lack of focus from the Council to address the weaknesses previously identified increased the risk of limited improvement on risk management which could negatively impact the Council's ongoing ability to make informed decisions.

We conclude there were significant weaknesses in risk management arrangements during 2020/21. We will therefore be reporting by exception on the Council's proper arrangements for securing economy, efficiency, and effectiveness in the use of resource.



05 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 was 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

In addition to 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 did not complete a Whole of Government Accounts (WGA) return, and we were therefore unable to complete the WGA audit procedures as instructed by the National Audit Office (NAO). The Comptroller and Auditor General of the NAO has now issued his Certificate and Report on Whole of Government Accounts for 2020/21. There are therefore no further WGA audit requirements.

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.

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 the Authority’s financial reporting process. 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;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

There are still legacy issues faced by the closedown team in retrieving documents to support audit questions, but the current year audit has been significantly smoother in most areas. We would however note that, although the working papers have improved significantly, further improvements are still required to support grant income, group consolidation procedures, earmarked reserves, journals, debtors and creditors.

Section 06 provides an overview of the ‘high’ ‘moderate’ and ‘low’ rated observations we have from the 2020/21 audit.



06

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.

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.

The table below provides an overview of the 'high' 'moderate' and 'low' rated observations we have from the 2020/21 audit. The matters identified are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to management. Details on the open control observations are set out on the following page.

	High	Moderate	Low	Total
Number of open observations at the start of the audit	4	8	0	12
New observations noted in 2020/21	0	0	0	0
Control observations closed in 2020/21	3	4	-	7
Number of open control observations at the conclusion of the audit	1	4	0	5

Key:



A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.



Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.



Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.



Assessment of Control Environment

Financial controls - open control observations

High rated observations

- The draft 2018/19 Statement of Accounts contained a significant level of errors and required a number of material adjustments, material disclosure amendments, and prior period adjustments. The adequacy of supporting processes and records resulted in a significantly protracted audit period, taking up additional resources, both of audit and Council interim staff, to resolve queries. The close-down team relied on interim appointments which has inevitably resulted in a loss of corporate memory. The successor Council brought in additional staff who have the skills to support the audit and the working papers improved.

There remain some legacy issues where individuals who performed transactions are no longer working for either of the successor bodies, so although the number of significant issues identified within our audit reduced from the level identified in 2018/19, we have still encountered significant challenges in completing the audit and identified a large number of findings.

Moderate rated observations

- There were three moderate open control observations concerning journal control weaknesses:
 - Adequacy of documentation and evidence to support journal entries.
 - Segregation of duties for journal posting. When a preparer does not have auto-approval, the journal is sent on to the budget holder for approval. We noted journals where the budget holder is also the preparer.
 - Systems team access. The Systems team have auto-approval access. Where a journal is raised by the systems team the journal should be supported by a workflow. We identified journals raised by the Systems team where workflows had not been produced or retained in the system.
- Debtors and creditors. There were a large number of transactions within the subledger listings at year-end, a significant portion of which included corresponding contra entries, reducing the overall balance on the subledger. Management undertook work to “match off” the contra entries in the listings, but there were still a large number that management did not have the capacity to clear. This abundance of transactions increased the amount of work necessary to analyse and substantively test the debit and credit entries in the balances, whilst also increasing the number of items in our samples. Given that some contra entries were not matched off due to slight differences in the ledger transactions, there were items selected for testing that ultimately should have been removed from the population.



07

Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Plan dated January 2022.

We complied with the 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 which you should review, as well as us. It is important that you and your Audit and Governance Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit and Governance Committee on 21 November 2023.

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 Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, 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 01 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

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed in have 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.

Relationships, services and related threats and safeguards

Services provided by Ernst & Young

Description	Final Fee 2020/21 £	Scale Fee 2020/21 £	Final Fee 2019/20 £
Statutory Base scale fee	105,998	105,998	105,998
Changes in work required to address professional and regulatory requirements and scope associated with risk and specific audit findings	TBC	-	261,080
Total audit fee	TBC	105,998	367,078
Non-audit services	0	-	0
Total fees	TBC	105,998	367,078

For the 2018/19 audit, we agreed with PSAA that we would agree an amended scale fee to reflect the level of additional risk in the audit. We calculated this amended scale fee based on the overall level of increased risk as well the specific risks we identified. Based on the level of risk identified and difficulties encountered we submitted the fee to PSAA for their approval; this was done following agreement with the Council Section 151 Officer and Commissioners. PSAA approved an additional fee of £691,000.

A similar process followed for 2019/20, for which we submitted an additional audit fee of £313,206. PSAA approved an additional fee of £261,080.

We will inform management of our final fee for our 2020/21 audit 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 and issues. This significant additional audit effort will be reflected in our final fee proposal. We have set out below areas where additional audit procedures were required in 2020/21. 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 £350,00 - £400,000.

- Group audit procedures on Northamptonshire Children's Trust.
- Specialist review of the Shall PFI model following project variations.
- Specialist review of the original and revised valuation report for One Angel Square.
- Testing of Covid grants.
- Extending the period covered by Going Concern arrangements.

Other communications

EY Transparency Report 2023

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 for the year end 30 June 2023:

[ey-uk-2023-transparency-report.pdf](#)



08 Appendices




Appendix A

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the 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
- ▶ 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.

Balance sheet category 	Current Year Audit Approach	Prior Year Audit Approach 	Explanation for change 
<ul style="list-style-type: none"> ▶ Property, plant and equipment ▶ Investment property ▶ Long term debtors ▶ Assets held for sale ▶ Cash and cash equivalents ▶ Short term debtors ▶ Bank overdraft ▶ Short term creditors (incl Receipts in advance) ▶ Short and long term borrowings ▶ Short and long term provisions ▶ PFI liability (short and long term) ▶ Liability related to Defined Benefit Pension Scheme ▶ Capital grants received in advance ▶ Useable and unusable reserves 	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A
<ul style="list-style-type: none"> ▶ Intangible assets ▶ Heritage assets ▶ Long term investments ▶ Inventories 	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	N/A

Appendix B

Summary of communications

Date 	Nature 	Summary 
January 2022 to April 2022	Meeting	The Audit Partner met with the Executive Director of Finance to discuss the Council's strategy and performance, and the audit plan.
January 2022	Report	The audit team presented our Audit Planning Report, including confirmation of our independence, to the Audit and Governance Committee.
February 2022	Instructions	The audit team sent the group audit instructions to Crowe, as the external auditor for the Council's subsidiary Northamptonshire Children's Trust
April 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 meetings of the Audit and Governance Committee between April 2022 and June 2023.
November 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 Northamptonshire County 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 arrangements to produce the first set of Group financial statements. Written enquiries were also made of senior management and the Northamptonshire County 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 and Governance 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.	Audit Plan - presented to the Audit and Governance Committee on January 2022
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - presented to the Audit and Governance Committee on January 2022
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Provisional Audit Results Report presented to the Audit and Governance Committee on April 2022 Audit Results Report (this report)



Appendix C - continued

		Our Reporting to you
Required communications	 What is reported?	 When and where
Major Local Authorities	<p>For the audits of financial statements of major local authorities our written communications to the Audit and Governance Committee include:</p> <ul style="list-style-type: none"> ▶ A declaration of independence ▶ The identity of each key audit partner ▶ The use of non-member firms or external specialists and confirmation of their independence ▶ The nature and frequency of communications ▶ A description of the scope and timing of the audit ▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▶ Materiality ▶ Any going concern issues identified ▶ Any significant deficiencies in internal control identified and whether they have been resolved by management ▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee ▶ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof ▶ The valuation methods used and any changes to these including first year audits ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant 	<p>Audit Plan - presented to the Audit and Governance Committee on January 2022</p> <p>Provisional Audit Results Report presented to the Audit and Governance Committee on April 2022</p> <p>Audit Results Report (this report)</p>

Appendix C – continued





		 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"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about the Council’s ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	<p>Provisional Audit Results Report presented to the Audit and Governance Committee on April 2022</p> <p>Audit Results Report (this report)</p>
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Audit and Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	<p>Provisional Audit Results Report presented to the Audit and Governance Committee on April 2022</p> <p>Audit Results Report (this report)</p>
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit and Governance Committee responsibility. 	<p>Provisional Audit Results Report presented to the Audit and Governance Committee on April 2022</p> <p>Audit Results Report (this report)</p>







Appendix C - continued

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	<p>Provisional Audit Results Report presented to the Audit and Governance Committee on April 2022</p> <p>Audit Results Report (this report)</p>
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"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Plan - presented to the Audit and Governance Committee on January 2022</p> <p>Provisional Audit Results Report presented to the Audit and Governance Committee on April 2022</p> <p>Audit Results Report (this report)</p>

Appendix C - continued

		 Our Reporting to you
Required communications	 What is reported?	  When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management’s refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit and Governance 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 and Governance Committee may be aware of 	Provisional Audit Results Report presented to the Audit and Governance Committee on April 2022 Audit Results Report (this report)
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Provisional Audit Results Report presented to the Audit and Governance Committee on April 2022 Audit Results Report (this report)




Appendix C – continued

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Group Audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components; ▶ 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; ▶ 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; ▶ Any limitations on the group audit, for example, where the group engagement team’s access to information may have been restricted; ▶ 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. 	<p>Audit Plan – presented to the Audit and Governance Committee on January 2022</p> <p>Provisional Audit Results Report presented to the Audit and Governance Committee on April 2022</p> <p>Audit Results Report (this report)</p>
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	<p>Provisional Audit Results Report presented to the Audit and Governance Committee on April 2022</p> <p>Audit Results Report (this report)</p>
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	<p>Provisional Audit Results Report presented to the Audit and Governance Committee on April 2022</p> <p>Audit Results Report (this report)</p>
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor’s report 	<p>Audit Results Report (this report)</p>
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the Audit Plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	<p>Audit Plan – presented to the Audit and Governance Committee on January 2022</p> <p>Audit Results Report (this report)</p> <p>Auditors annual report</p>

Appendix D

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and Management
Management Representation Letter	Receipt of signed management representation letter	Management
Agreement of Final set of Accounts	Agree all changes made to draft accounts are updated in the final set of accounts.	EY and Management
Final Review Procedures	Final review of areas listed above	EY



Appendix E

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young

[Address]

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Northamptonshire County Council ("the Group and Council") 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 council financial statements give a true and fair view of the Group and Council financial position of Northamptonshire County Council as of 31 March 2021 and of its financial performance (or operations) 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 council 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 Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group 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 council financial statements.

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council 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. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
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 council financial statements taken as a whole. **We have not corrected these differences identified and brought to our attention by the auditor because [specify reasons for not correcting misstatement].²**

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 Council financial statements may be materially misstated as a result of fraud.
4. *[When management is aware of the occurrence of non-compliance with laws or regulations, or has received allegations of non-compliance with laws and regulations.]* 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 Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:



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- 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 Council'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 Council'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.³

5. *[When management is not aware of the occurrence of non-compliance with laws and regulations, and has not received allegations of non-compliance with laws and regulations]* We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any 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 Council'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 Council'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.⁴

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and council financial statements, including those related to the COVID-19 pandemic.

3. We have made available to you all minutes of the meetings of the Group, and committees *[add the full title of the relevant committees]* (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: *[list date]* and of the [Council], and committees *[add the full title of the relevant committees]* (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: *[list date]*.

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 Council'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 council 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 applicable financial reporting framework]

6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized 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



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unauthorized 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 [council] 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 Note [X] to the consolidated and council financial statements all guarantees that we have given to third parties.
4. The claim by [name of claimant] have been settled for the total sum of XXX which has been properly accrued in the consolidated and [council] financial statements. No other claims in connection with litigation have been or are expected to be received.

E. Going Concern

1. Note XX] to the consolidated and parent entity financial statements discloses all the matters of which we are aware that are relevant to the Group and Council'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 described in Note [X] to the consolidated and council financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to year end which require adjustment of or disclosure in the consolidated and council 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 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 [council], subsidiary undertakings and associated undertakings.

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the narrative 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 Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral, other than those that are disclosed in Note [X] to the financial statements. All assets to which the Group and Council has satisfactory title appear in the balance sheet(s).

J. Reserves

1. We have properly recorded or disclosed in the consolidated and council financial statements the useable and unusable reserves.

K. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated and council financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the consolidated and council financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

- (1) Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities, [continue listing as appropriate]) none of which involves any allegations of non-compliance with laws or regulations that should be considered for disclosure in the consolidated and [council] financial statements or as a basis for recording a loss contingency.
- (2) Matters referred to in the letters dated [date] issued to you by the [Council]'s Monitoring Officer and the [Council]'s legal advisor.
- (3) Matters referred to in the letter of comments received from the [name of regulator] regarding
- (4)

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the Property, Plant and Equipment valuations, Investment Property valuations, and Pensions IAS19 liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists



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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.

M. Estimates (Property, Plant and Equipment, Investment Property, Provisions, and Pension Liabilities)

1. We confirm that the significant judgments made in making the accounting estimates have taken into account all relevant information and the effects of the COVID-19 pandemic 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 making the accounting estimate.
3. We confirm that the significant assumptions used in making the accounting estimate appropriately reflect our intent and ability to carry out the specific courses of action 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 estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the applicable financial reporting framework.
5. We confirm that appropriate specialized skills or expertise has been applied in making the accounting estimate.
6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and parent entity financial statements, including due to the COVID-19 pandemic.

N. 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.

O. 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

Yours faithfully,

(Chief Financial Officer)

(Chair of the Audit and Governance Committee)



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHAMPTONSHIRE COUNTY COUNCIL (DEMISED)

Opinion

We have audited the financial statements of Northamptonshire County Council ('the Authority') and its subsidiary (the 'Group') for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement
- the related notes 1 to 47, and Group Accounts notes G1 to G8.

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 Northamptonshire County 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. 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 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 1 and Note 5 which disclose the local government reorganisation in Northamptonshire. As stated in this disclosure, two new councils called West Northamptonshire Council and North Northamptonshire Council replaced the Authority in April 2021. The Authority's assets, liabilities, services, and functions transferred to the new North Northamptonshire Council and 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.

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 and the Authority's ability to continue as a going concern for a to 31 March 2025.

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 Group'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 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 Group and 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
- 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.

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.

Significant weaknesses in arrangements

OFSTED inspection findings

Our judgement on the nature of the weakness identified:



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OFSTED rated the Council's Children's Services in June 2019 as inadequate in 3 of the 4 areas of inspection. The OFSTED report stated "Northamptonshire's Children's Services are failing to keep children safe. While some progress has been made since the Ofsted focused visit in October 2018, there remains a range of significant weaknesses in services whose effectiveness is central to protecting children".

A revised Statutory Direction was issued to Northamptonshire County Council on 10 June 2019 due to continued poor performance in Children's social care services. This included a Direction for the Council to work with the Secretary of State for Education and/or the Children's Services Commissioner towards the establishment of a wholly owned Council company for the delivery of Children's social care services (or Children's Services trust) in Northamptonshire.

Ofsted undertook a focused visit in October 2020. The report stated that "Despite unprecedented times due to the COVID-19 pandemic, inspectors found convincing evidence that services for children and young people in Northamptonshire are starting to improve, albeit from a very low base".

The Ofsted October 2020 report stated that the Council "are working diligently to address the serious and widespread safeguarding concerns that were identified at the ILACS11 inspection in June 2019, and to sustain the improvements that they have achieved in the past year.12". The Council has clearly made efforts to improve arrangements since June 2019, and these were recognised by Ofsted in its October report. However, the actions taken had not addressed each weakness sufficiently to achieve a rating of 'good' in Ofsted's evaluation.

Ofsted undertook a monitoring visit in February 2021. In this visit, the inspectors aimed to review the progress made by NCC with the report stating that "Children's Services transferred to Northamptonshire Children's Trust on 1 November 2020. The trust has continued to build on the positive changes that were already taking place, supported by a permanent director of children's services and the appointment of an experienced chief executive officer".

Review of the February 2021 report suggested further improvements had been made since the October 2020 visit, and some weaknesses identified in June 2019 inspection had also been addressed. Nonetheless, there were still a considerable number of weaknesses to be dealt with.

Our work confirmed the Council had not yet fully addressed the areas of concern identified by OFSTED. Whilst actions have been taken to improve Children's Services, those actions were not fully implemented and operational through 2020/21.

The evidence on which our view is based is:

- OFSTED focused visit Oct 2020 and monitoring visit February 2021
- Council committee papers setting out and monitoring progress on the OFSTED recommendations

The impact on Northamptonshire County Council:

Following the inadequate rating by OFSTED in 2019, the Council's Children's Services department has faced increased central government intervention. A revised Statutory Direction was issued to Northamptonshire County Council in 2019 due to continued poor performance in Children's services and there have now been two visits since the inadequate rating in 2019. As subsequent monitoring and focused OFSTED visits have identified improvement and plans for further improvement, further escalation by OFSTED to request Secretary of State intervention has not been required.

The action Northamptonshire County Council needs to take to address the weakness:

On 1 April 2021, all of the functions and services of the Council transferred to the newly created North Northamptonshire Council and West Northamptonshire Council.

We therefore recommend that management of North Northamptonshire Council and West Northamptonshire Council, as the successor bodies to Northamptonshire County Council, should consider the extent to which the weaknesses in arrangements identified at Northamptonshire County Council may still be applicable to the new authorities and develop an action plan to address any extant weaknesses identified.

It will be the responsibility of the external auditor of North Northamptonshire Council and West Northamptonshire Council to consider whether the successor body has adequately considered the weaknesses reported and taken appropriate actions against our recommendation.

This issue is evidence of weaknesses in proper arrangements for Governance and how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements.

Risk Management

Our judgement on the nature of the weakness identified:

The creation and maintenance of a risk register shows the Council has a proactive approach to risk management, and that it has considered specific controls to mitigate the risks identified. Review of the risk registers indicates that most weaknesses previously identified have not been addressed. For example, the criteria to assess risks were unclear with some risks lacking sufficient action plans. Moreover, not all triggers had corresponding controls to address them, and some risks were not sufficiently detailed. The comparison of risk registers throughout the year also suggested that some risks have not been updated on a timely basis.

Overall, despite regular review of the risks by the Audit Committee, many risks have not been updated to reflect the changes in the risk landscape and the Corporate Risk Register was not sufficiently comprehensive. This limits the Council's ability to identify, monitor, and mitigate the risks. In addition, the apparent lack of focus from the Council to address the weaknesses previously identified increases the risk of limited improvement on risk management which could negatively impact the Council's ongoing ability to make informed decisions.

The issue is evidence of weaknesses in proper arrangements for informed decision making through demonstrating and applying arrangements for managing risks effectively.

The evidence on which our view is based:

- Annual Governance Statement (including the Head of Internal Audit's opinion for 2020/21)
- Council committee papers setting out and monitoring progress on risk management
- Corporate risk register

The impact on Northamptonshire County Council:

On 1 April 2021, all of the functions and services of the Council transferred to the newly created North Northamptonshire Council and West Northamptonshire Council.

We therefore recommend that management of North Northamptonshire Council and West Northamptonshire Council, as the successor bodies to Northamptonshire County Council, should consider the extent to which the weaknesses in arrangements identified at Northamptonshire County Council may still be applicable to the new authorities and develop an action plan to address any extant weaknesses identified.

It will be the responsibility of the external auditor of North Northamptonshire Council and West Northamptonshire Council to consider whether the successor body has adequately considered the weaknesses reported and taken appropriate actions against our recommendation.

This issue is evidence of weaknesses in proper arrangements for Governance and how the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls.



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Responsibility of the Executive Director of Finance

As explained more fully in the Statement of the Executive Director of Finance Responsibilities set out on page 22, the Executive Director of Finance 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 Executive Director of Finance 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 the 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 the Authority either intends to cease operations, or has 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 Group and determined that the most significant are:

- Local Government Act 1972,
- School Standards and Framework Act 1998,
- Transport Act 2000,
- Education Act 2002 and school Standards and Framework Act 1998 (England),
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020 and 2021,
- National Health Service Act 2006,
- Local Government Pension Scheme Regulations 2013 (as amended),
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.

In addition, the Group and 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.

We understood how Northamptonshire County 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, through enquiry of employees to confirm Group and the Authority policies, 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, inappropriate classification of revenue expenditure funded by capital under statute, inappropriate application of cut-off, 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 inappropriate classification of revenue expenditure funded by capital under statute we tested the Authority's revenue expenditure funded by capital under statute to ensure the classification criteria were properly met and the expenditure was genuine.

To address our fraud risk of inappropriate application of cut-off we tested Authority transactions either side of the financial year end to ensure transactions were accounted for in the correct financial period.

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 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in April 2021, as to whether the Northamptonshire County 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 the Northamptonshire County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.



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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, the Northamptonshire County 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 certify that we have completed the audit of the accounts of Northamptonshire County Council 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 Northamptonshire County 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 the Group and the Authority'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
[\[date\]](#)

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ED None

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WEST NORTHAMPTONSHIRE COUNCIL

AUDIT & GOVERNANCE COMMITTEE

21 November 2023

Report Title	Work Programme
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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.



**West
Northamptonshire
Council**

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**

Work Programme

	21 November 2023	24 January 2024	27 March 2024
Minutes from the previous meeting	X	X	X
Update on Workforce Skills and Capacity	X		
Pensions Accounts and Annual report	X		
Internal Audit Progress report	X	X	X
Update on Financial Statements	X		
Northants County Council - Final Audit Results Report 2020-21	X		
External Audit Progress report (Ernst Young)	X	X	X
External Audit Progress report (Grant Thornton)	X		
Update on Governance	X	X	X
Update on Budget Setting and Revenue and Capital Medium Term Capital Programme	X	X	X
Review of Committee Work programme	X	X	X

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