



# Pensions Fund Committee

**A meeting of the Pensions Fund Committee will be held in The Great Hall, The Guildhall, St Giles Street, Northampton, NN1 1DE on Wednesday 27 March 2024 at 2.00 pm**

## Agenda

1.	<b>Apologies for Absence and Notification of Substitute Members</b>
2.	<b>Declarations of Interest</b> Members are asked to declare any interest and the nature of that interest which they may have in any of the items under consideration at this meeting.
3.	<b>Minutes</b> (Pages 5 - 10) To confirm the Minutes of the meeting of the Committee held on 5 December 2023.
4.	<b>Chair's Announcements</b> To receive communications from the Chair.
5.	<b>Administration Report</b> (Pages 11 - 28)
6.	<b>Governance and Compliance Report</b> (Pages 29 - 42)
7.	<b>Admissions and Cessations</b> (Pages 43 - 50)
8.	<b>Annual Business Plan and Medium-Term Strategy</b> (Pages 51 - 90)
9.	<b>Communications Plan</b> (Pages 91 - 96)

10.	<b>External Audit Plan 2023-24</b> (Pages 97 - 122)
11.	<b>Cashflow Modelling</b> (Pages 123 - 150)
12.	<b>Forward Agenda Plan</b> (Pages 151 - 152)
13.	<p><b>Exclusion of Press and Public</b></p> <p>The following report(s) contain exempt information as defined in the following paragraph(s) of Part 1, Schedule 12A of Local Government Act 1972.</p> <p>Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information).</p> <p>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.</p> <p>Should Members decide not to make a decision in public, they are recommended to resolve as follows:</p> <p>“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) 3 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.”</p>
14.	<b>Private Minutes of the Pension Fund Committee 5 December 2023</b> (Pages 153 - 156)
15.	<b>AVC Report</b> (Pages 157 - 164)
16.	<b>ACCESS Update</b> (Pages 165 - 170)
17.	<p><b>Urgent Business</b></p> <p>The Chairman to advise whether they have agreed to any items of urgent business being admitted to the agenda.</p>

Catherine Whitehead  
Proper Officer  
19 March 2024

**Pensions Fund Committee Members:**

Councillor Malcolm Longley (Chair)

Councillor Charles Morton (Vice-Chair)

Councillor Phil Bignell

Councillor Lloyd Bunday

Councillor Janice Duffy

Councillor Jamie Lane

Councillor Graham Lawman

Councillor Peter Matten

Councillor Cathrine Russell

Robert Austin

Peter Borley-Cox

Paul Wheeler

Andy Langford

Elnora Latchman

**Information about this Agenda**

**Apologies for Absence**

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

**Declarations of Interest**

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

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

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

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

Tel:

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

Or by writing to:

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



### **Pensions Fund Committee**

Minutes of a meeting of the Pensions Fund Committee held at Jeffrey Room, The Guildhall, St Giles Street, Northampton, NN1 1DE on Tuesday 5 December 2023 at 4.00 pm.

#### **Present:**

Councillor Malcolm Longley (Chair)  
 Councillor Charles Morton (Vice-Chair)  
 Councillor Phil Bignell  
 Councillor Graham Lawman  
 Councillor Cathrine Russell  
 Robert Austin  
 Peter Borley-Cox  
 Paul Wheeler  
 Elnora Latchman  
 Councillor Janice Duffy – virtual attendance

#### **Apologies for Absence:**

Councillor Lloyd Bunday  
 Councillor Jamie Lane  
 Councillor Peter Matten

#### **Officers:**

Mark Whitby, Head of Pensions  
 Michelle Oakensen, Governance and Regulations Manager  
 Cory Blose, Employer Services and Communications Manager  
 James Smith, Assistant Director - Finance (Strategy)  
 Jeverly Findlay, Committee Officer  
 Fiona Coates, Pension Services Financial Manager

#### **Also Present:**

Grant Patterson, Grant Thornton  
 William Howard, Grant Thornton

#### **178. Declarations of Interest**

Councillor Graham Lawman declared an interest as his wife was a deferred member of the LGPS. Councillor Phil Bignell declared an interest that his wife was an active, member of the LGPS.

Councillor Graham Lawman also declared an interest as a school governor for the following schools: Croyland Primary, St. Christopher Hatton Academy, Ecton Village Primary Academy, Oakway Academy and Victoria Primary Academy.

#### **179. Chair's Announcements**

The Chair congratulated the team on winning the award for Achievement in Financial Reporting and Accountability at the Public Finance Awards 2023.

180. **Minutes**

**RESOLVED:**

That the minutes of the Investment sub-committee of 2 October 2023 be approved and signed as a correct record.

181. **Administration Report**

The Governance and Regulations Manager presented the report for the period 1 August to 31 October 2023 and drew the Committee's attention to appendix 2 and the 7 red and 1 amber Key Performance Indicators (kpis). The target for processing the payments of benefits from active service was particularly tight at 5 working days and Officers were seeking to revise this to 10 working days to allow sufficient processing time. If a correction was required this created additional pressure on the team in meeting the target. The average number of days for processing was 6.6 days during October 2023, therefore the target was only just being breached. Comparing against the industry standard and CIPFA benchmarking, the majority of pension funds had 15 days for the same target. It was noted that the payment of benefits from deferred membership status, although red, would be addressed within the current target.

The development of the customer journey performance indicators continued and were set out in appendix B.. Councillor Lawman queried what the timescales were. The Governance and Regulations Manager advised that some of the tasks were being considered now; the Committee would be provided with an analysis and the goal was for them to be completed by the end of the financial year.

**RESOLVED:**

- (i) That the Committee note the contents of the report.
- (ii) That the Committee approves the change to the KPI target for the payment of retirements benefits from active employment from 5 working days to 10 working days (section 6.1).

182. **Business Plan Update**

The Head of Pensions drew the Committee's attention to the executive summary and that the pensions administration software contract had now been sealed; the contract would commence on 1 October 2024. Multiple bids through the national framework had been received for the procurement tenders that were required, which were set out in the report. The Committee were advised that the activity on the GMP rectification had been paused as resources had been redeployed to work on the McCloud remedy. Work would recommence in the new year and should conclude in the first quarter. The guidance from the Government regarding the McCloud remedy was due to be published in the new year. There was 1 other amber kpi with regard to

the undecided leavers records. The development of the ACCESS asset pool had been changed from amber to green.

Paul Wheeler queried whether the procurement could be staggered in future years to relieve some of the pressure on the service. The Head of Pensions advised that the service requirements had to fit in between actuarial valuation cycles. Contracts may have the option to be extended however.

**RESOLVED:**

That the Committee noted the Business Plan Update.

183. **Governance and Compliance Report**

The Governance and Regulations Manager reported some additional information since the publication of the agenda. With regard to the pension dashboards, confirmation had been received regarding the staging dates for the pension scheme and the consultation would be published in spring 2024. Administering authorities had a legal duty to have regard to the guidance. The draft dashboard connection guidance had been produced and Pension Funds could feedback comments. The pension dashboard programme would contain information regarding the route to convert to the dashboard ecosystem. A progress report would be submitted to the Committee in June.

With regard to the process for Additional Voluntary Contributions, the Local Government Association had set up a workstream as industry consensus was required.

It was business as usual for ongoing McCloud remedy cases from 1<sup>st</sup> October. Some areas had required manual intervention. The system had been upgraded and more accurate reporting would be provided. The Department for Levelling Up Housing and Communities draft prioritisation policy was being prepared in 4 stages. The Fund had met disclosure regulations by communicating with members via the most appropriate method (email, letter, MSS) and there was a dedicated McCloud Remedy page on the website also.

Councillor Lawman queried how ready the Team were for the pension dashboard rollout. The Governance and Regulations Manager advised that it was now known who the payroll software provider would be and there were no concerns currently about moving forward. The Head of Pensions added that the ISP arrangements were expected to be finalised in the first financial quarter next year and this would connect to the pension dashboard.

**RESOLVED:**

- (i) That the Committee note the Governance and Compliance Report.
- (ii) That the Committee note the immaterial amendments to be applied to the policy in section 6.5.2.

**184. Assurance report on potential breaches of the law**

The Governance and Regulations Manager advised that the report had been produced in response to a comment from audit regarding how breaches are identified. The report provided the Committee with assurances that adequate controls were in place for identifying breaches and the controls were outlined in section 6 of the report. The work that had been carried out demonstrated that the service was compliant with the LGPS regulations. Potential breaches of the law would be cross referenced to the risk register in the future. Further to an enquiry, the Governance and Regulations Manager advised that there was no specific report template for the legislative breaches to be reported to TPR but all breaches would be assessed and reported in line with TPR Reporting Breaches of the Law Policy where appropriate.

**RESOLVED:**

That the Pension Fund Committee note the potential breaches of the Northamptonshire Pension Fund and associated control measures.

**185. Admissions and Cessations**

The Employer Services and Systems Team Manager drew Members' attention to the recommendations in the report and it was

**RESOLVED:**

- (i) That the Pension Committee note the admission of the following admitted body to the Northamptonshire Pension Fund and approve the sealing of the admission agreement; Innovate Services
- (ii) That the Pension Committee note the entry of the following resolution body to the Northamptonshire Pension Fund; Kingsthorpe Parish Council
- (iii) That the Pension Committee note the exit of the following bodies from the Northamptonshire Pension Fund: Pathfinder Legal Services
- (iv) That the Pension Committee note the update on previously reported cessations relating to: Voice for Victims and Wellingborough Norse

**186. Pension Fund Annual Report and Statement of Accounts 2022-23**

The Pension Services Financial Manager drew Members' attention to the key changes that had been made since the draft accounts had been considered and which were set out in section 6 of the report. A £7.6m adjustment had been made to Private Equity, Infrastructure and Property following 31 March 2023 valuations. A small number of disclosure adjustments had been made to the accounts. There were 2 recommendations which have now been actioned:

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



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

The Pension Services Financial Manager advised that the accounts had been approved by the Audit and Governance Committee in November.

Grant Patterson and William Howard from Grant Thornton provided a presentation on the final Annual Report and Statement of Accounts of the Pension Fund and audit results report for the 2022-23 financial year. The initial assessment had been undertaken and it was believed that an unqualified opinion would be given but this could not be finalised until the audit for the administering authority was completed.

Paul Wheeler congratulated the team on the audit results. It was

**RESOLVED:**

- (i) That the Pension Committee approve the Annual Report of the Pension Fund for the 2022-23 financial year;
- (ii) That the Pension Committee note the final Statement of Accounts and;
- (iii) That the Pension Committee note the findings of external audit documented in the ISA260.
- (iv) That the Pension Team be congratulated on the audit results.

**187. Northamptonshire Pension Committee agenda plan**

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

**RESOLVED:**

That the Northamptonshire Pension Fund Forward Agenda Plan be noted.

**188. Exclusion of Press and Public**

**The Chair moved that the remainder of the meeting be held in private:**

**RESOLVED:**

**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) 3 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.**

The meeting closed at 5.30 pm

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

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



## West Northamptonshire Council

### Pension Fund Committee

27/3/2024

### Mark Whitby – Head of Pensions

<b>Report Title</b>	Northamptonshire Pension Fund – Administration Performance Report for the period 1 November 2023 to 31 January 2024.
<b>Report Author</b>	Michelle Oakensen Governance and Regulations Manager <a href="mailto:michelle.oakensen@westnorthants.gov.uk">michelle.oakensen@westnorthants.gov.uk</a>

#### Contributors/Checkers/Approvers

<b>MO</b>	Sarah Hall on behalf of Catherine Whitehead	06/03/2024
<b>S151</b>	James Smith on behalf of Martin Henry	04/03/2024
<b>Head of Pensions</b>	Mark Whitby	19/02/2024

#### List of Appendices

- Appendix A Performance against key performance indicators.
- Appendix B Development of Key Performance Indicators during 2023/2024.
- Appendix C Timeliness of receipt of employee and employer pension contributions.
- Appendix D Details of late contribution payments – **exempt**.

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

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

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

- 2.1 This report sets out the performance of the Northamptonshire Pension Fund on the following areas of administration:
  - 2.1.1 The achievement against the Key Performance Indicators for the period 1 November 2023 to 31 January 2024. For the period, 16 of the 21 KPI targets were achieved, with 2 amber and 3 red (section 6.1.1 & appendix A).

- 2.1.2 Progress on the development of the Pension Service Key Performance Indicators (section 6.1.2 & appendix B).
- 2.1.3 Timeliness of receipt of employee and employer pension contributions for the period 1 October to 31 December 2023, 99.9% of payments were received on time (section 6.2 & appendix C). Details of any late contribution payments (appendix D **exempt**).
- 2.1.4 Occurrences of breaches of the law for the period 1 November 2023 to 31 January 2024. There were no material breaches in the period (section 6.3).
- 2.1.5 Details of any Internal Dispute Resolution Procedure cases during the period 1 November 2023 to 31 January 2024. There were 2 new Stage 1 administering authority disputes raised (section 6.4).
- 2.1.6 Occurrences of material data breaches for the period of 1 November 2023 to 31 January 2024. There were no material data breaches in the period (section 6.5).
- 2.1.7 Details of any significant overpayment of pension for the period 1 November 2023 to 31 January 2024. There was one significant overpayment identified (over £5k) in the period (section 6.6).

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### **3. Recommendation**

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

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### **4. Reasons for Recommendation**

- To ensure adequate oversight of the administrative performance of the Northamptonshire Pension Fund.
- To ensure good governance and compliance with the Local Government Pension Scheme Regulations and other relevant legislation and guidance.

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### **5. Report Background**

- 5.1 Pursuant to s101 of the Local Government Act 1972 and the Council's Constitution section 4.8 Para 1.1 the Pension Fund Committee's remit includes responsibility for dealing with all matters relating to the Northamptonshire Pension Fund Local Government Pension Scheme.
- 5.2 One of the core functions of the Pension Fund Committee is to ensure the effective and efficient governance and administration of the Northamptonshire Pension Fund. This report demonstrates a number of key areas of administration performance for consideration by the Pension Committee.

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

#### 6.1 Key Performance Indicators

##### 6.1.1 Pension Service performance against Key Performance Indicators

- 6.1.1.1 The Pension Committee has in place a set of key performance indicators (KPIs) to assess the performance of the Pensions Service in the delivery of key items of casework. The actual performance against these KPIs for the period 1 November 2023 to 31 January 2024 can be found in appendix A along with the explanations for any underperformance.
- 6.1.1.2 Over the 3-month period, 16 of the 21 KPI targets have been met.
- 6.1.1.3 Targets were missed for providing an estimate of benefits and for the payment of retirement benefits from active employment for the period. The team contended with periods of annual leave and sickness at both Team Leader and Pension Officer level, 79.5 days sickness in total was recorded during the period within the Operations Team.

- 6.1.1.4 The team is inexperienced with ongoing training continuing to be delivered at different levels and is also impacted by the implementation of the McCloud remedy, which has required additional learning and workloads.
- 6.1.1.5 In November a target was missed on providing a transfer in quote to scheme members in 2 cases, one was due to the notification being sent late and the other was delayed at the checking stage. These issues have been picked up within the team to prevent recurrence.
- 6.1.1.6 Training and resources have been allocated to cases where a benefit was due as priority. Additional time will be dedicated to estimate cases as resources stabilise. Sickness levels are being addressed through absence management procedures.
- 6.1.1.7 Performance is expected to improve once the training requirements reduce at both Officer and Team Leader level and skills and experience are embedded within the team. The medium to long term plan is to increase multi skilling to help with service resilience across teams.

6.1.2 Development of the Pension Service Key Performance Indicators

- 6.1.2.1 Progress has been made on some areas of reporting with the new data encompassing the administration and employer performance.
- 6.1.2.2 The new supplementary KPI information can be found in Appendix B.
- 6.1.2.3 Once the reporting has been expanded, the intention is to analyse any lower than desired KPI performance and target communications and interventions appropriately.

6.2 Receipt of employee and employer contributions

- 6.2.1 Scheme employers have a statutory obligation to arrange for the correct deduction of employee and employer contributions and to ensure payment reaches the Pension Fund by the 19th of the month following the month of deduction. Scheme employers must provide an associated monthly statement/schedule in an acceptable format.
- 6.2.2 The table in appendix C shows the percentage of employers in the Northamptonshire Pension Fund who paid their employee and employer contributions and/or submitted their schedules on time or late for the payroll periods 1 October to 31 December 2023.
- 6.2.3 In October 2023 and December 2023, 100% of payments were received on time. For November 2023, 99.7% were received on time. The current yearly average for payments made on time is 99.9% and schedules being received on time is 99.5%.
- 6.2.4 Details of late contribution payments can be found in appendix D (exempt).

6.3 Breaches of the Law

- 6.3.1 There are many laws relating to the Local Government Pension Scheme, with various individuals, including the Pension Committee and Local Pension Board both (collectively and as individuals) having a statutory duty to report material breaches of those laws to the Regulator. The Northamptonshire Pension Fund maintains a record of both material breaches that are reported to the Pensions Regulator as well breaches that are deemed not to be of material significance and so are not reported to the Pensions Regulator.
- 6.3.2 For the period 1 November 2023 to 31 January 2024 having regard to the above, the following breaches of the law occurred.

Type of breach	Detail of breach	Course of action
Material	None	None
Non-material	8 refund of contribution payments were paid outside of the statutory 5-year period.	No further action at this stage, it is likely that the legislation surrounding this will be amended to remove the 5-year requirement.

Type of breach	Detail of breach	Course of action
	Missed statutory targets against Key Performance Indicators.	Issues will be addressed within the Service and with employers as appropriate. Further details can be found in Appendix B.

#### 6.4 Internal Dispute Resolution Procedure cases

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

6.4.2 The following tables detail that activity undertaken during the period 1 November 2023 to 31 January 2024 with regards to administering authority disputes.

#### 6.4.3 Stage 1 disputes:

Nature of Stage 1 Dispute (Head of Pensions)	Date Received	Date Decision Due	Decision: Upheld/not upheld/partially upheld	Date of Decision
Delays encountered by member in paying retirement benefits, specifically AVCs	3 January 2024	2 March 2024		On-going

One case was entered into the Stage 1 administering authority dispute resolution process in November due to not being entitled to a refund of contributions. The investigation concluded that the member should not have been a member of the LGPS and West Northants Council on behalf of the former Northamptonshire County Council confirmed this to be the case.

This dispute has therefore been reallocated to Stage 1 of the employing authority disputes procedure for resolution of the refund and any associated compensation payment as the nature of the dispute is not covered by the remit of the administering authority complaints process.

6.4.4 Stage 2 disputes: None.

6.4.5 In the period 1 November 2023 to 31 January 2024 no new Stage 2 employing authority disputes were raised and/or responded.

#### 6.5 Material Data Breaches

6.5.1 None.

#### 6.6 Significant overpayments of pension

6.6.1 In November 2023, an overpayment of £26,775.06 occurred due to a retirement entitlement being paid early. The cause of the overpayment was due to conflicting dates as to when the member wished to claim their benefits from.

6.6.2 The money was returned to the Fund and the actual retirement benefits were recalculated from 25 January 2024.

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

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### **7.1 Resources and Financial**

7.1.1 None.

### **7.2 Legal**

7.2.1 There are no legal implications arising from the proposals, as it is the view of Officers having taken into account all relevant legislation/regulation that the breaches reported in section 5.3.2 would not constitute a material breach and for the purpose of reporting to the Pension Regulator.

### **7.3 Risk**

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

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

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

[Northamptonshire Risk Register](#)

### **7.4 Relevant Pension Fund Objectives**

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

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

### **7.5 Consultation**

7.5.1 Not applicable. The Administration Report is a best practice report to ensure the Fund is managed appropriately and transparently.

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Appendix A – Pension Service Administration Key Performance Indicators –November & December 2023 and January 2024

Function/Task	Indicator	Target	Month	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Notify leavers of deferred benefit entitlement.	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	November December January	166 103 171	158 95 166	8 8 5	95 92 97	Green Green Green	SLA target met SLA target met SLA target met
Payment of retirement benefits from active employment.	Notify employees retiring from active membership of benefits award, from date payable or date of receiving all necessary information if later within 10 working days (from January, previously 5).	95%	November December January	40 17 32	36 14 31	4 3 1	90 82 97	Amber Red Green	SLA target not met* SLA target not met* SLA target met
Payment of pension benefits from deferred membership status.	Notify members retiring from deferred membership status of benefits award, from date payable or date of receiving all necessary information if later within 10 working days.	90%	November December January	95 48 65	86 45 63	9 3 2	91 94 97	Green Green Green	SLA target met SLA target met SLA target met
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	November December January	38 30 32	37 30 32	1 0 0	97 100 100	Green Green Green	SLA target met SLA target met SLA target met
Provide a maximum of one estimate of benefits to employees per	Estimate in agreed format provided within 10 working days from receipt of all information.	80%	November December January	21 15 37	14 12 24	7 3 13	67 80 65	Red Green Red	SLA target not met* SLA target met SLA target not met*

Appendix A – Pension Service Administration Key Performance Indicators –November & December 2023 and January 2024

year on request.									
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	November	19	17	2	89	Amber	SLA target not met**
			December	29	29	0	100	Green	SLA target met
			January	31	30	1	97	Green	SLA target met
Payment of transfer out.	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	November	44	43	1	98	Green	SLA target met
			December	47	46	1	98	Green	SLA target met
			January	32	32	0	100	Green	SLA target met

\* Payment of retirement benefits from active employment/provide a maximum of one estimate of benefits to employees per year on request – several contributing factors that led to KPIs being missed for November, December and January 2024. The team contended with periods of annual leave and sickness at both Team Leader and Pension Officer level (for context there were 79.5 sickness days for the period). The team itself is inexperienced with ongoing training continuing to be delivered at different levels. In addition, the implementation of the McCloud remedy has increased workloads and queries.

\*\* In November, the performance was below target for providing a transfer-in quote to scheme members. In both cases 2 days over target, one due to a notification being sent late and one was overdue at checking by 2 days as a recalculation was processed on the target date. These issues have been picked up within the team to prevent recurrence.

Training and resources have been allocated to cases where payment of benefits was required as priority cases. Additional time will be dedicated to estimate cases as resources stabilise. Sickness levels are being addressed through absence management procedures.

Performance is expected to improve once the training requirements reduce at both officer and team leader level and skills and experience are embedded within the team. The medium to long term plan is to increase multi skilling to help with service resilience across teams.

Appendix A – Pension Service Administration Key Performance Indicators –November & December 2023 and January 2024

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

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

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

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Appendix B – Customer Journey Key Performance Indicators (statutory) for the Period 1 November 2023 to 31 January 2024

Function/Task	Indicator	Month	% Within Target	Comments
Provide basic scheme information to new joiners.	2 months from date of joining or member's request.	November December January	38 69 60	The Pension Service is 100% within target for meeting the SLA of 2 months from the record being created on Altair which is dependent upon the receipt of the employer i-connect file.  Reasons why the cases would not be completed within the statutory target are <sup>1</sup> : <ul style="list-style-type: none"> <li>• Arrears of pay resulting from a late agreed pay award.</li> <li>• Notifications of new starters received from employers within monthly i-connect files where the member's start date was already more than 2 months ago.</li> <li>• Payroll provider changes.</li> </ul>
Provide transfer details for transfer in.	2 months from date of request.	November December January	37 46 37	Reasons why the cases would not be completed within the statutory target are <sup>2</sup> : <ul style="list-style-type: none"> <li>• Interfund in - Further information is required from the previous LGPS pension fund.</li> <li>• Transfer in – Further information is required from the member, the previous scheme, or the employer.</li> </ul>
Provide details of transfer value for transfer out.	3 months from date of request.	November December January	97 67 80	Reasons why the cases would not be completed within the statutory target are <sup>3</sup> : <ul style="list-style-type: none"> <li>• Interfund out - Further information is required from the employer prior to finalising the deferred benefit and there is a backlog in these cases due to the volumes.</li> <li>• Transfer in – Further information is required from the employer prior to finalising the deferred benefit.</li> </ul>
Provide a CETV quotation for divorce purposes.	Within 3 months of the request (or shorter deadline as specified in a court order).	November December January	67 100 100	Cases were not within the statutory target in November as a result of a backlog in checking being cleared in this month. The backlog was created from the clearance of cases that were on hold as a result of the GAD factor changes.

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

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

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

Appendix B – Customer Journey Key Performance Indicators (statutory) for the Period 1 November 2023 to 31 January 2024

Function/Task	Indicator	Month	% Within Target	Comments
Inform members who leave the scheme before retirement age of their rights and options.	As soon as practical and no more than 2 months of leaving.			Complexities in the way data is received and processed means that the reporting for this KPI needs developing to be able to establish the correct apportion between employer and pension service failures.  Reasons that KPIs may not be in target is due to arrears of pay, late notification of leavers, payroll provider changes and processing times.
Inform members who leave the scheme at or after retirement age of the benefits due.	Within 2 months of retirement date where the member <b>retires before</b> normal pension age.	January	33	Multiple factors contribute to the member experience for this indicator, this includes the type of information required (e.g. leavers details, certificates, forms) and the party responsible for supplying the information (employer, payroll provider, member). There is also the processing time required for the administrator to issue the award once all the information is received.  Within the 67% outside of target, approximately 2/3 of the failures were due to employer delays. Analysis will be undertaken, and any persistent trends addressed accordingly. Any information received which does not allow the Pension Service 10 working days to process in line with SLA targets is classified as an employer failure.
Inform members who leave the scheme at or after retirement age of the benefits due.	Within 1 month of retirement date where the member <b>retires on or after normal pension age.</b>	January	57	Multiple factors contribute to the member experience for this indicator, this includes the type of information required (e.g. leavers details, certificates, forms) and the party responsible for supplying the information (employer, payroll provider, member). There is also the processing time required for the administrator to issue the award once all the information is received.  Within the 43% outside of target, 100% was due to delays from the employer, analysis will be undertaken, and any persistent trends addressed accordingly. Any information received which does not allow the Pension Service 10 working days to process in line with SLA targets is classified as an employer failure.
Calculate and notify dependant(s) of amount of death benefits.	As soon as possible, but in any event no more than 2 months of date or becoming aware of death.			A new death process is due to be created to enable reporting on this KPI. This is not currently possible as a separate case is set up on the member and the dependant.

Appendix B – Customer Journey Key Performance Indicators (statutory) for the Period 1 November 2023 to 31 January 2024

Function/Task	Indicator	Month	% Within Target	Comments
Notify implementation information after receiving a pension sharing order (and no outstanding information)	Within 21 days of the later of, the date of receipt of the pension sharing order or the day on which the order takes affect or the date of receipt of the relevant documents / information.			This KPI still needs to be developed for the small number of cases that are completed in a year.

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

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

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

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

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

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**West Northamptonshire Council**

**Pension Fund Committee**

**27/03/2024**

**Mark Whitby – Head of Pensions**

<b>Report Title</b>	Governance and Compliance Report
<b>Report Author</b>	Michelle Oakensen Governance and Regulations Manager <a href="mailto:michelle.oakensen@westnorthants.gov.uk">michelle.oakensen@westnorthants.gov.uk</a>

**Contributors/Checkers/Approvers**

<b>MO</b>	Sarah Hall on behalf of Catherine Whitehead	06/03/2024
<b>S151</b>	James Smith on behalf of Martin Henry	04/03/2024
<b>Head of Pensions</b>	Mark Whitby	12/02/2024

**List of Appendices**

- Appendix A Progress made against the Pension Regulators dashboard checklist  
Appendix B Skills and knowledge complementary training schedule

**1. Purpose of Report**

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

**2. Executive Summary**

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- 2.1 This report provides the Pension Committee with information on the following significant current issues which have an impact on the governance, management and administration of the Northamptonshire Pension Fund.
- Pensions Dashboards (6.1, 6.2 & 6.3)
  - McCloud (6.4)
  - Scheme Advisory Board (6.5)
  - The Pensions Ombudsman (6.6 & 6.7)
  - The Pensions Regulator (6.8 & 6.9)
  - Skills and knowledge opportunities (6.10)
- 2.2 The report also provides details of any proposed immaterial amendments due to be made to policies or strategies as a result of Officer reviews (6.11).

### **3. Recommendation**

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- 3.1 The Pension Committee is asked to:
- 1) Note the Governance and Compliance Report.
  - 2) Note the immaterial amendments to be applied to the policy in section 6.11.2.

### **4. Reasons for Recommendation**

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

### **5. Report Background**

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

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

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#### Pensions Dashboards

#### 6.1 PASA dashboard guidance

6.1.1 The Pensions Administrations Standards Association (PASA) has published Pensions Dashboards Connection Ready Guidance and a 'Call to Action'.

6.1.2 The Connection Ready Guidance explains what being 'connection ready' means and what a typical scheme plan could look like. It covers five main areas: governance, matching, value data, technology and administration. For each area, it describes the key activities, how to do them, why they matter and how to show that they have been done.

6.1.3 The Call to Action lists the top five actions that schemes need to take now to prepare for dashboards and can be found [here](#).

6.1.4 PASA will release further supporting materials in the next few months, such as practical tips for certain connection ready activities, checklist of key actions and outlines of connection ready decisions.

6.1.5 The Pensions Dashboards Connection Ready Guidance can be found [here](#).

#### 6.2 Pension Dashboard Programme updates

6.2.1 Blog on recent queries - On 30 November 2023, the Pensions Dashboards Programme (PDP) published a blog covering the following recent queries they have received:

- When do PDP expect to publish dashboard standards?
- What are the different types of testing?
- When will the dashboards available point be?

6.2.2 A link to the blog can be found [here](#).

6.2.3 January newsletter - Covering Chris Curry's blog looking back at 2023 and a recording of the December PDP webinar on understanding dashboards architecture and find and view data. A link to the newsletter can be found [here](#).

6.2.4 FAQs newsletters - The FAQs newsletters help to answer the most frequently asked questions about pensions dashboards. The January edition features FAQs about the central digital architecture. A link to the letter can be found [here](#).

6.2.5 Blog on industry engagement - PDP will continue to work closely with industry, regulators and DWP to deliver dashboards. Groups and forums will continue to collaborate in 2024 and PDP invites you to register your interest in joining one of these groups. A link to the blog can be found [here](#).

6.2.6 Connection guidance and understanding AVCs and value data webinar - The January webinar included speakers from PDP, PASA, DWP, TPR and Jayne Wiberg from the LGA. A link to the webinar can be found [here](#).

### 6.3 The Pensions Regulator dashboard checklist

6.3.1 The Pensions Regulator has published a blog encouraging schemes to follow their dashboard checklist. The Northamptonshire Pension Fund is progressing well against the checklist and is included as Appendix A of the report.

6.3.2 Project plan activities based on the LGAs connection guide will be undertaken in the following areas in order to connect to the Pension Dashboard:

- Governance
- Internal controls
- Connection
- Record keeping
- Budget
- Resource
- Data

### McCloud

#### 6.4 Initial prioritisation policy

6.4.1 On 12 October 2023, on behalf of DLUHC, LGA emailed administering authorities in England and Wales. The email included a link to DLUHC's initial policy on how to prioritise cases affected by the McCloud remedy.

6.4.2 The final version is due to be published imminently.

### Scheme Advisory Board

#### 6.5 SAB commissions report on the LGPS and Sharia law

6.5.1 In 2022, the Board received legal advice from Lydia Seymour (Counsel) on members opting out of the LGPS on the basis of their (principally Islamic) religious belief, and whether this might constitute unlawful discrimination. In order to give a definitive opinion, Counsel advised that she needed to understand better the basis of those beliefs and the extent to which they would be broadly shared across the Muslim community.

6.5.2 The Board commissioned Mufti Faraz Adam of Amanah Associates, an Islamic finance expert, to produce a report on Sharia law and the LGPS. The aim being to address any possible legal risk for scheme employers and to ensure the scheme is as inclusive as possible.

6.5.3 The report examines the issue from the starting point that the LGPS is an extension of the employer/employee contract. The report concludes that as a part of the contractual arrangement between employer and employees, Muslim employees can continue to contribute to, and benefit from, the excellent benefits offered by the LGPS.

- 6.5.4 In publishing the report, the Board made no claim of expertise on the matter of Sharia law and wishes to be clear that the report represents the views of the author and not the Board. More information can be found [here](#).

#### The Pensions Ombudsman (TPO)

#### 6.6 Response to Court of Appeal ruling

- 6.6.1 TPO has expressed its disappointment about the recent Court of Appeal ruling that it is not a competent court for enforcing a dispute about a monetary obligation under section 91(6) of the Pensions Act 1995.
- 6.6.2 The ruling means that a TPO decision to allow recoupment / recovery from a pension is not enough to enforce it. The scheme also needs an order from a County Court.
- 6.6.3 The Department for Work and Pensions is supporting legislative changes to formally empower TPO to bring these disputes to an end without needing a County Court Order.
- 6.6.4 In the meantime, TPO has been working with stakeholders across the sector to review the management of such disputes to minimise the additional time and cost that has been added to the process. It has also published a recovery in overpayment cases factsheet to provide guidance to help schemes manage these disputes.
- 6.6.5 The response to the judgement can be found [here](#) and the overpayments cases factsheet can be found [here](#).
- #### 6.7 Interim chair of the Pensions Ombudsman appointed
- 6.7.1 DWP has appointed Anthony Arter as the Interim Chair of TPO. Anthony served as the Pensions Ombudsman for eight years until January 2023, followed by a period as the Deputy Pensions Ombudsman. He will serve as the Interim Chair until a permanent Chair is appointed.

#### The Pensions Regulator (TPR)

#### 6.8 Cyber security guidance

- 6.8.1 The Pensions Regulator has revised its cyber security guidance. The guidance helps trustees and pension scheme managers meet their duties to assess the risk, ensure controls are in place, and respond to incidents.
- 6.8.2 For the first time, the guidance asks pension schemes to report any significant cyber-related incidents to TPR on a voluntary basis as soon as is reasonably practicable. This will help TPR build a better picture of the cyber risk facing the industry and its members.
- 6.8.3 A link to the guidance can be found [here](#).

#### 6.9 General Code of Practice

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



6.9.4 The new code of practice consultation can be found [here](#).

#### 6.10 Skills and knowledge opportunities

6.10.1 The Public Services Pensions Act 2013 and the Pensions Regulator’s Code of Practice (Governance and administration of public service pension schemes) require all members of the Pension Committee to maintain the necessary skills and knowledge to undertake their role effectively.

6.10.2 In addition, in order to facilitate the acquisition of skills and knowledge for members of the Pension Committee, appendix A lists the main events that are deemed useful and appropriate.

6.10.3 If members of the Pension Committee would like to attend any of the events listed in appendix A, please contact a member of the Fund’s governance team who will make the necessary arrangements if an invitation has not already been sent.

6.10.4 The Training Strategy was approved at the July meeting of the Pension Committee and members have until 24 July 2024 to complete the mandatory training modules. A copy of the Training Strategy can be found [here](#) for reference.

#### 6.11 Northamptonshire Pension Fund Policy/Strategy updates

6.11.1 In March 2023 the Pension Committee agreed for all policies and strategies to be reviewed by the Committee on a three year cycle (unless stated otherwise) with Officer reviews to be conducted on an annual basis or as deemed necessary.

6.11.2 For the period the following non material amendments are due to be applied:

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

6.11.3 The amended Conflict of Interest Policy will be published to the website.

6.11.4 In addition the Cyber Hygiene Guidelines have also been reviewed in line with the relevant module in the new General Code and the Pension Regulators cyber security principles guidance. A copy will be circulated to all Committee and Board members.

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

### **7.1 Resources and Financial**

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

### **7.2 Legal**

7.2.1 Relevant legislation is referenced in the main body of the report.

### **7.3 Risk**

7.3.1 The Constitution Section 4.8 para 1.3 states that the Pension Committee has “Authority to develop and maintain a skills and knowledge framework for all Pension Committee and Investment sub-committee members and for all officers of the Fund including;

- (i) Determining the Fund’s knowledge and skills framework;
- (ii) Identifying training requirements;
- (iii) Developing training plans; and
- (iv) Monitoring attendance at training events.

7.3.2 This report ensures on-going compliance with the above and that the Pension Committee is up to date with:

- New or amending legislation affecting the LGPS;
- Relevant activities of the LGPS Scheme Advisory Board and the Pensions Regulator that concern the governance of the (LGPS) on a national and local basis; and
- Skills and knowledge opportunities.

7.3.3 The risks associated with the Pension Committee not having the required level of knowledge and understanding have been captured in the Fund’s risk register as detailed below.

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

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

[Northamptonshire Risk Register](#)

### **7.4 Relevant Pension Fund Objectives**

7.4.1 The following objectives as per the Business Plan have been considered in this report –

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund’s stakeholders, particularly the scheme members and employers.
- To ensure that the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.

- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

## **7.5 Consultation**

- 7.5.1 The Fund is kept updated with developments and consultations via various sources such as the Local Government Association, The Pensions Regulator and Scheme Advisory Board.
- 7.5.2 Aon supported the review of the Cyber Hygiene Guidelines.

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

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

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

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

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

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

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# Northamptonshire Pension Fund

## Appendix B

### Training plan 2024

Date	Training	Method of delivery	Delivered by	Target audience	Additional Information
<b>JANUARY</b>	Governance Conference	Conference – hybrid	Local Government Association (LGA)	Committee, Board & Officer	18-19 January 2024 (online/York)
<b>FEBRUARY</b>					
<b>MARCH</b>	LGC Investment Seminar	Conference	Local Government Chronicle (LGC)	Committee, Board & Officers	14-15 March 2024 <a href="https://www.lgcplus.com">LGC Investment Seminar 2024 (lgcplus.com)</a>
<b>APRIL</b>					
<b>MAY</b>					
<b>JUNE</b>	Local Authority Conference 2024	Conference – face to face	Pension and Lifetime Savings Association (PLSA)	Committee, Board & Officer	11-13 June 2024 <a href="https://www.plsa.org.uk">Local Authority Conference   PLSA</a>
<b>JULY</b>	Equality, Diversity and Inclusion (EDI)	TBC	TBC	Committee, Board & Officers	TBC
<b>AUGUST</b>					
<b>SEPTEMBER</b>	Investment and Pensions Summit	TBC	Local Government Chronicle (LGC)	Committee, Board & Officer	TBC
<b>OCTOBER</b>					
<b>NOVEMBER</b>	Investor Day	TBC	Waystone	Committee & Officer	TBC

# Northamptonshire Pension Fund

## Appendix B

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



## West Northamptonshire Council

### Pension Committee

27/3/2024

#### Mark Whitby – Head of Pensions

<b>Report Title</b>	<b>Employer Admissions and Cessations Report</b>
<b>Report Author</b>	<b>Cory Blose,</b> <b>Pensions Service Employer and Communications Manager,</b> <a href="mailto:Cory.Blose@westnorthants.gov.uk">Cory.Blose@westnorthants.gov.uk</a>

#### Contributors/Checkers/Approvers

<b>MO</b>	Sarah Hall on behalf of Catherine Whitehead	06/03/2024
<b>S151</b>	James Smith on behalf of Martin Henry	04/03/2024
<b>Head of Pensions</b>	Mark Whitby	21/02/2024

#### List of Appendices

None

#### 1. Purpose of Report

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- 1.1 To report the admission of six admitted bodies to the Northamptonshire Pension Fund.
- 1.2 To report the entry of two designating bodies to the Northamptonshire Pension Fund.
- 1.3 To notify the Committee of one employer ceasing participation in the Northamptonshire Pension Fund.
- 1.4 To update on previously reported cessations.

#### 2. Executive Summary

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- 2.1 The Committee is asked to note the admission of six transferee admission bodies and to approve the sealing of the admission agreements.
- 2.2 The committee is asked to note entry of two parish councils which passed resolutions designating staff as eligible for the LGPS, backdated to the start of their employment.

- 2.3 The Committee is also asked to note the exit of one employer from the Fund.
- 2.4 The Committee is also asked to note an update on one previously reported cessation cases where the funding assessment identified a surplus resulting in an exit credit determination.

### **3. Recommendations**

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3.1 The Pension Committee is asked to:

3.1.1 Note the admission of the following admitted bodies to the Northamptonshire Pension Fund and approve the sealing of the admission agreements;

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

3.1.2 Note the entry of the following designating bodies to the Northamptonshire Pension Fund;

- Bugbrooke Parish Council
- Cottingham Parish Council

3.1.3 Note the exit of the following bodies from the Northamptonshire Pension Fund:

- Cleantec Limited (Grange Primary Academy)

3.1.4 Note the update on previously reported cessations relating to:

- NSL Limited

### **3.2 Reason for Recommendations**

3.2.1 The six admission bodies fall under paragraph 1(d)(i) of Part 3 of Schedule 2 to the Local Government Pension Scheme Regulations 2013 (the Regulations) and all parties have signed admission agreements where they agree to meet the requirements of the Regulations. The Pension Fund Committee therefore must admit these bodies to the Fund, as required by Part 3, 13 of the Regulations.

3.2.2 The minutes confirming The Committee's approval are required as evidence alongside any agreements before sealing can be arranged by the Fund's legal support.

3.2.3 It is good practice to ensure that The Pension Fund Committee are aware of any employer movements within the scheme, to ensure any financial implications (7.1), risk implications (7.8) and decisions in relation to Relevant Pension Fund Objectives (7.11) are appropriately managed.

## **4 Report Background**

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- 4.1 The Local Government Pension Scheme Regulations 2013 (as amended) [the Regulations] provide for the admission of a number of different types of body to the Local Government Pension Scheme; scheduled bodies, designating bodies, and admission bodies.
- 4.2 The Regulations also require that, following the exit of an employer from the Fund, the administering authority carry out an assessment of its funding position on the date of exit.
- 4.3 The Fund's cessations policy sets out how the Fund will assess the funding position of an exiting employer and the Fund's policies on the collection of exit debits and determination of the value of any exit credit payable to the exiting employer.
- 4.4 This report provides an update on admissions to and cessations from the Northamptonshire Pension Fund since the last meeting of the Pension Committee, including the collection and payment of any exit debits or credits.

## **5 Issues and Choices**

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### **5.1 New Admission Bodies**

- 5.1.1 Paragraph 1 of Part 3 of Schedule 2 to the Regulations provides for an Administering Authority to make an admission agreement with an admission body, enabling employees of the admission body to be active members of the Local Government Pension Scheme.
- 5.1.2 A body which falls under paragraph 1(d)(i) of Part 3 of Schedule 2 is an admission body that is providing a service, in connection with the function of a scheme employer, as the result of a transfer of service or assets by means of a contract or other arrangement.
- 5.1.3 Where an admission body of the description in paragraph 1(d)(i) undertakes to meet the requirements of these Regulations, the appropriate administering authority must admit to the Scheme the eligible employees of that body.
- 5.1.4 The Pension Committee is asked to note the admission of the following bodies into the Northamptonshire Pension Fund and to approve the sealing of the admission agreements.

<b>Date of admission</b>	<b>New Admission Body</b>	<b>Background Information</b>
1/9/2023	KGB Cleaning South West Limited (Kettering Buccleuch Academy)	KGB Cleaning South West Limited entered into a contract with United Learning Trust to provide cleaning services. As a result, fifteen employees were transferred to the admission body and a pass through admission agreement has been put in place. This agreement has been backdated to 1 September 2023 and the backdated contributions will be payable by the 19 March 2024. The assets and liabilities have been retained by United Learning Trust.
6/11/2023	Semilong Services Limited (Northampton Partnership Homes)	Semilong Services Limited entered into a contract with Northampton Partnership Homes to provide roofing/guttering maintenance and solar panel installation services. As a result, two employees were transferred to the admission body and a standard admission agreement has been put in place. Semilong Services Limited are required to arrange a bond to cover the pensions risk with Northamptonshire Partnership Homes acting as the guarantor of last resort for the pension liabilities. This agreement has been backdated to 6 November 2023 and the backdated contributions will be payable by the 19 March 2024.
1/7/2022	Easy Clean Contractors Limited (Our Lady's Catholic Primary School)	Easy Clean Contractors Limited entered into a contract with Our Lady Immaculate Catholic Academies Trust to provide cleaning services. As a result, three employees were transferred to the admission body and a pass through admission agreement has been put in place. This agreement has been backdated to 1 July 2022 and the the backdated contributions will be payable by the 19 March 2024. The assets and liabilities have been retained by Our Lady Immaculate Catholic Academies Trust.
16/10/2023	Kingswood Education Catering Limited (Hunsbury Park Primary School)	Kingswood Education Catering Limited entered into a contract with Hunsbury Park Primary School to provide catering services. As a result, one employee was transferred to the admission body and a pass through admission agreement has been put in place. This agreement has been backdated to 16 October 2023 and the backdated contributions will be payable by the 19 March 2024. The assets and liabilities have been retained by West Northamptonshire Council as Hunsbury Park Primary School is a WNC LEA school.

Date of admission	New Admission Body	Background Information
1/9/2023	Aspens-Services Limited (East Midlands Academy Trust)	Aspens-Services Limited entered into a contract with East Midlands Academy Trust to provide catering services. As a result, five employees were transferred to the admission body and a pass through admission agreement has been put in place. This agreement has been backdated to 1 September 2023 and the backdated contributions will be payable by the 19 March 2024. The assets and liabilities have been retained by East Midlands Academy Trust.
6/11/2023	Renuvo Limited (Northampton Partnership Homes)	Renuvo Limited entered into a contract with Northampton Partnership Homes to provide gas and heating maintenance services. As a result, four employees were transferred to the admission body and a standard admission agreement has been put in place. Renuvo Limited are required to arrange a bond to cover the pensions risk with Northamptonshire Partnership Homes acting as the guarantor of last resort for the pension liabilities. This agreement has been backdated to 6 November 2023 and the backdated contributions will be payable by the 19 March 2024.

## 5.2 New Designating Bodies

- 5.2.1 Regulation 3 (1) of the Regulations provides for a person employed by a body listed in Schedule 2 and is designated, or belongs to a class of employees designated, by the body, to be an active member of the Local Government Pension Scheme.
- 5.2.2 A designating body has to pass a resolution to designate employees as eligible for membership of the Local Government Pension Scheme.
- 5.2.3 Paragraph 2(a) of Part 2 of Schedule 2 provides for a precepting authority within the meaning of section 69 of the Local Government Finance Act 1992 (interpretation) to be a designating body.
- 5.2.4 The Committee is asked to note that the following employers are designating bodies by means of being a precepting authority within the meaning of paragraph 2(a) of Part 2 of Schedule 2 to the Regulations and that they have passed a resolution.

<b>Date of admission</b>	<b>New Admission Body</b>	<b>Background Information</b>
1 April 2022	Cottingham Parish Council	Cottingham Parish Council passed a resolution designating their clerk as eligible for the LGPS from the start of their employment. The membership for the clerk was therefore backdated to 1 April 2022.
21 November 2023	Bugbrooke Parish Council	Bugbrooke Parish Council passed a resolution designating their clerk as eligible for the LGPS from the start of their employment. The membership for the clerk was therefore backdated to 21 November 2023.

### **5.3 New Cessations**

#### **Cleantec Limited (Grange Primary Academy)**

- 5.3.1 Cleantec Limited were admitted to the Fund under a pass through admission agreement on 1 August 2020, after entering a contract to provide cleaning services for United Learning at Grange Primary Academy.
- 5.3.2 On 31 July 2023 the admission agreement between Cleantec Limited and United Learning Trust ceased when the contract ended. No exit debit or credit will be required as the pension liabilities were retained by United Learning Trust. The remaining member under this contract transferred to the new service provider, KGB Cleaning Limited, on 1 August 2023.

### **5.4 Previously Reported Cessations**

- 5.4.1 The cessation of NSL Limited was originally reported at the June 2023 meeting of the Pension Fund Committee.
- 5.4.2 Following an exit credit determination, as required by, and considering the factors listed under section 64 (2ZC) of the Regulations, the Administering Authority has determined that the amount of exit credit payable to NSL was £458,000.

## **6 Implications (including financial implications)**

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### **6.1. Resources and Financial**

- 6.1.1 Actuarial costs incurred by obtaining a calculation of the employer's contribution rate and opening funding position at commencement are recharged directly to the employer.
- 6.1.2 The employer contribution rate contains an allowance for administration charges, and the employer is charged a fee to recover the Funds administration costs of on boarding new employers and terminating ceased employers. This means that admissions and cessations should be cost neutral.
- 6.1.3 Where an exit credit is determined to be greater than nil, a payment will need to be made to the exiting employer. This payment may be all or part of the overall surplus of assets so the liabilities will continue to be at least full funded at the date of cessation.



## 6.2. Legal

- 6.2.1 Admitted bodies enter into an admission agreement with the administering authority in order to become an employer within the Northamptonshire Pension Fund. This agreement sets out the statutory responsibilities of an employer, as provided for under the Regulations governing the LGPS.
- 6.2.2 Exit credit determinations can be appealed by the exiting employer under the Fund's internal dispute resolution procedure and ultimately the Pensions Ombudsman.

## 6.3 Risk

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

Risk	Residual risk rating
Failure to administer the scheme in line with regulations and guidance	Green
Failure to provide relevant information to the pension Committee/Pension Board to enable informed decision making	Green
Fund assets are not sufficient to meet obligations and liabilities.	Amber

- 6.3.2 Please see the [Northamptonshire Pension Fund Risk Register](#) for full details

## 6.4 Relevant Pension Fund Objectives

- 6.4.1 The following objectives have been considered in this report -
- To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
  - To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
  - To ensure appropriate exit strategies are put in place both in the lead up to and on termination of a scheme employer.

## 6.5 Consultation

- 6.5.1 Contribution rate and bond assessments are undertaken by Hymans Robertson, the Fund Actuary.
- 6.5.2 The Fund Actuary is consulted with upon the exit of any employer from the Fund.
- 6.5.3 Advice was received from the Fund's Actuary on individual admission and cessation cases, where required.

6.5.4 A precedent admission agreement has been drafted by Squire Patton Boggs, specialist pension legal advisers.

## **7 Background Papers**

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None.



## West Northamptonshire Council

### Pension Fund Committee

27/3/2024

### Mark Whitby – Head of Pensions

Report Title	Northamptonshire Pension Fund - Business Plan and Medium-Term Strategy 2024/25
Report Author	Mark Whitby Head of Pensions <a href="mailto:mark.whitby@westnorthants.gov.uk">mark.whitby@westnorthants.gov.uk</a>

#### Contributors/Checkers/Approvers

West MO	Sarah Hall on behalf of Catherine Whitehead	06/03/2024
West S151	James Smith on behalf of Martin Henry	04/03/2024
Head of Pensions	Mark Whitby	21/2/2024

#### List of Appendices

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

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

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

Appendix D - Climate Action Plan 2024/25.

#### 1. Purpose of Report

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

#### 2. Executive Summary

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- 2.1 The report provides an update on the 2023/24 Business Plan activities, highlighting any activities not concluded and featuring in the 2024/25 Business Plan. A summary of the **Page 51**

concluded procurements during 2023/34 are also provided in section 6.1 & Appendix A. The year-end position of the Cyber Resilience activities can be located in Appendix C (exempt).

- 2.2 The Business Plan and Medium-term strategy contains activities that are not considered as business as usual and provides key milestones and associated budget requirements. The Committee are asked to approve the contents of the 2024/25 Business Plan including resource requirements in section 6.2 & appendix B. The Climate Action Plan can be located in Appendix D.
- 2.3 The report contains a recommendation for the Fund to join the Pensions for Purpose community to support activities in connection with sustainable and impact investing Pensions for purpose in section 6.3.

### **3. Recommendations**

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3.1 The Pension Committee is asked to:

- 1) note the status of the 2023/24 Business Plan activities and current financial position (see section 6.1)
- 2) approve the contents of the Business Plan and Medium-Term Strategy 2024/25 (see section 6.2)
- 3) agree for a membership application to be submitted to Pensions for Purpose on behalf of the Northamptonshire Pension Fund (6.3).

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

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

### **5. Report Background**

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

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

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#### **6.1 Update on the 2023/24 Business Plan**

- 3.1.1 The Business Plan activities from the 2023/24 financial year have been reviewed with a year-end position being established. The majority of activities have achieved a 'green' RAG status whereby the activity is either completed or it was pre-determined that the activity would be completed after March 2024.

- 3.1.2 There were four exceptions where the RAG status was ‘amber’ in the following areas –
- Complete the Guaranteed Minimum Pension Rectification
  - Application of the McCloud age discrimination remedy.
  - Processing of undecided leaver records
  - Implement recommendations from the review of the website and digital communications.
- These activities did not progress at the desired rate for 2023/24 and have been rescheduled as part of the 2024/25 Business Plan for resolution.

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

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

- 3.1.4 Details of the year-end position of all the activities and actions that are being carried over can be located in Appendix A and the Cyber Resilience Action Plan can be located in Appendix C.
- 3.1.5 The financial forecast for end-of-year position for 2023-24 is included within the 2024/25 Business Plan in Appendix B.

## 6.2 Business plan and Medium-Term Strategy 2024/25

- 6.2.1 The Business Plan and Medium-Term Strategy concentrates on activities that are not considered business as usual, identifying key milestones and budget requirements. It is split into the following core areas:
- Procurement of services
  - Core governance activities
  - Scheme member and data projects
  - Investment related activities
  - Communications
- 6.2.2 Progress made against the Business Plan will continue to be reported to the Committee at each meeting via the Business Plan Update report or other relevant report (where appropriate). Where progress against the Business Plan has fallen behind schedule further detail will be provided.
- 6.2.3 Estimated costs for the activities in appendix B have been detailed alongside the activity and within the financial forecasting for the relevant years. Where further costs become known during the course of the new financial year these will be notified to the Committee via the Business Plan Update report.
- 6.2.4 With the increasing complexities of the Scheme and the requirements of significant projects such as McCloud and Pension Dashboards it is becoming more challenging to administer the Fund (approximately 80,700 members and over 300 contributing employers) in a compliant and timely manner and on this basis, additional posts to the current establishment have been identified to alleviate pressure in the following areas -
- Three additional Pension Officer posts (full time) to support business as usual and facilitate the completion of undecided leavers backlog in time for the introduction of the

government's Pensions Dashboard initiative and the work that is required from the McCloud rectification.

- A new Training Officer post (full time) to facilitate consistent and robust training to Officers allowing for resource to stay in teams and not be diverted when training is required. This post will allow for more flexibility within the Service and enable more effective succession planning.
- A new Administration Assistant (part time) to support with general administrative tasks to allow for workloads to be effectively managed ensuring key activities are prioritised.

6.2.5 As only approximately half of this resource will be engaged in NPF activity, the posts will be funded accordingly to reflect this.

6.2.6 The Climate Action Plan for 2024/25 is located at Appendix D and it also published on the Fund's website.

### 6.3 Pensions for Purpose

6.3.1 Officers recommend the Fund joins the Pensions for Purpose community to support activities in connection with sustainable and impact investing. This is aligned with our investment strategy and responsible investment approach, as well as our climate action plan activities.

6.3.2 Pensions for Purpose shares best practice and promotes understanding of ESG and sustainable and impact investing. It does this by providing access to events, thought leadership, case studies, guidance and research.

6.3.3 Pensions for Purpose has a growing community of over 380 organisational members. Membership is free and the Fund's name would be formally included in the Members' Directory, hence the reason for a committee decision on this matter.

6.3.4 Further information is available at [Home | Pensions For Purpose](#).

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

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### **7.1 Resources and Financial**

7.1.1 Performance against the financial estimates in the Business Plan will be presented to the Pension Committee each meeting. The Business Plan sets out the cost of each activity where known or where costs become known during the course of the year, the Pension Committee will be updated accordingly.

7.1.2 The Fund's share of the cost of the additional posts is approximately £72k to £80k depending on appointment scale point.

### **7.2 Legal**

7.2.1 There are no legal implications arising from the proposals.

### **7.3 Risk**

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

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

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

#### **7.4 Relevant Pension Fund Objectives**

7.4.1 The following objectives have been considered in this report -

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

#### **7.5 Consultation**

7.5.1 Not applicable.

### **8 Background Papers**

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8.1 Not applicable

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Appendix A – Business Plan activities 2023/24

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

Appendix A – Business Plan activities 2023/24

<b>Activity</b>	<b>Year-end status</b>	<b>RAG status</b>
Implement the revised Investment Strategy.	Completed.	Green
Review of investment consultancy contract.	Completed.	Green

# Business Plan and Medium Term Strategy

2024/25 to 2026/27

## Introduction

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

The purpose of the business plan is to:

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

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

## Further information

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

Mark Whitby, Head of Pensions  
[mark.whitby@westnorthants.gov.uk](mailto:mark.whitby@westnorthants.gov.uk)  
07990 556197

## Background to the Northamptonshire Pension Fund

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

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

\*As at 31 March 2023

## Governance and management of the Fund

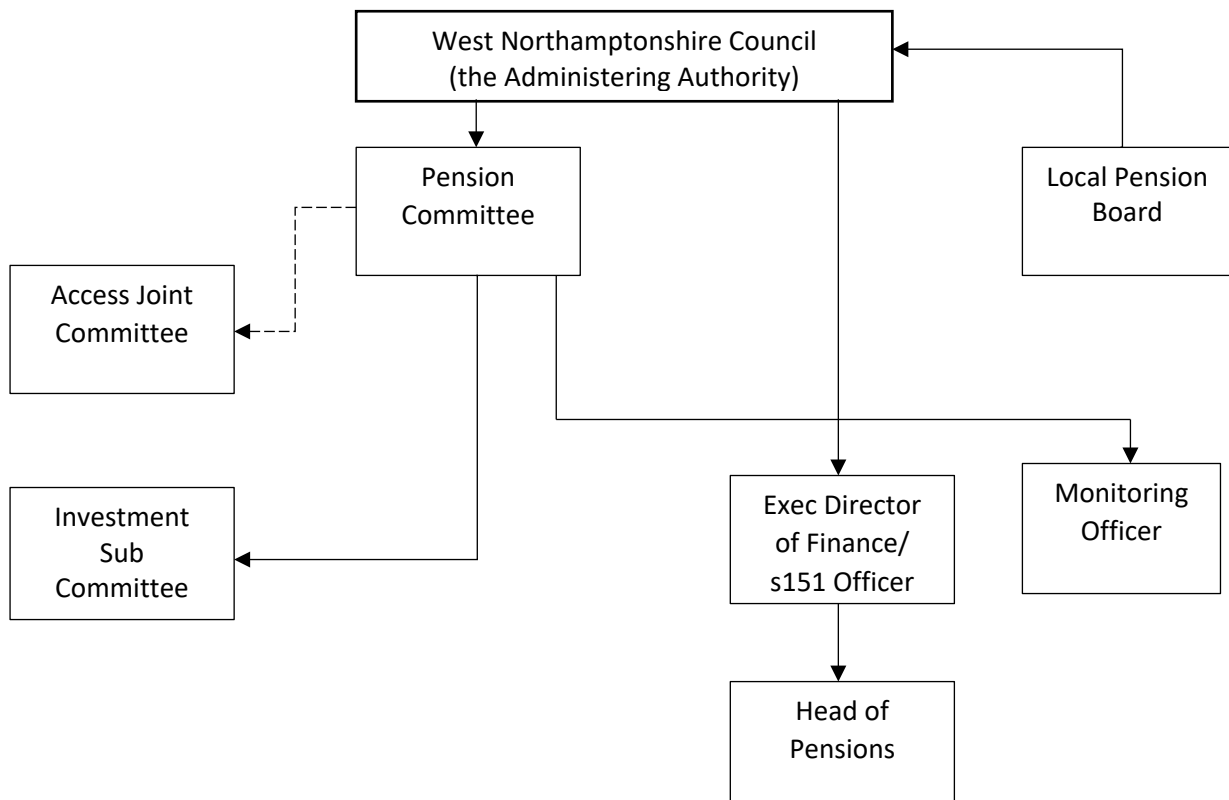
The key decision-making and management of the Fund has been delegated by West Northamptonshire Council (the administering authority) to a formal Pension Committee, supported by an Investment Sub-Committee that looks at the operational governance of investment issues.

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

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

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

The Northamptonshire Pension Fund governance structure is shown below.



## Administration of the Fund

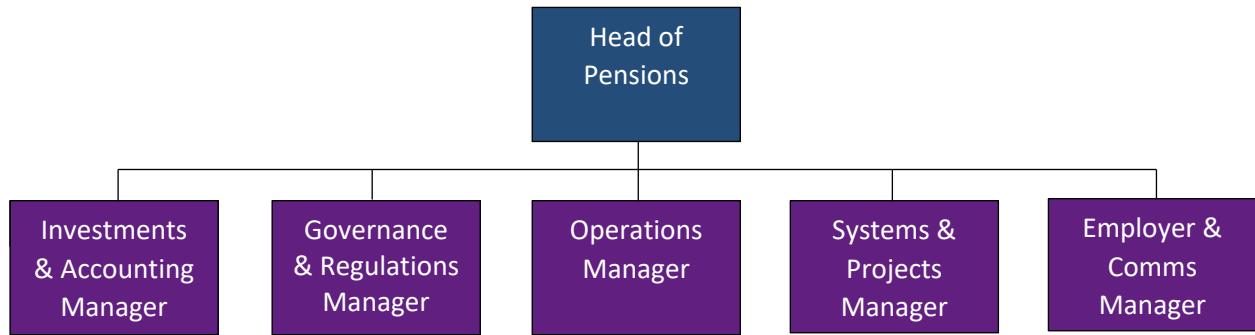
The Cambridgeshire and Northamptonshire Pension Funds are administered under a lead authority model with the lead authority being West Northamptonshire Council working in partnership with Cambridgeshire County Council. The Funds remain two distinct entities.

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

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

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

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



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

### Objectives for the management of the Fund

The Fund's agreed objectives are detailed as follows;

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

- To provide scheme members with up-to-date information about the scheme in order that they can make informed decisions about their benefits.
- To seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.
- To ensure cash flows in to and out of the Fund are timely and of the correct amount.
- To ensure the long-term solvency of the Fund, taking a prudent long-term view, so that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.
- To put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.
- To maximise investment returns over the long term within agreed risk tolerances.
- To ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required.
- To invest sustainably to achieve better long-term outcomes for the Fund and its stakeholders by ensuring environmental, social and governance factors are taken account of across all investment decision making.

### Business as usual

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

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

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

#### Governance

- Setting the agenda, reporting, and presenting to the Pension Committee, Investment Sub-Committee and Local Pension Board.
- Implementing and monitoring areas such as the training, risk management, reporting breaches of the law and compliance with the Pensions Regulator’s code of practice and changing LGPS regulations and over-riding legislation.



- Ensuring adherence to the administering authority's policies and legal requirements for procurement, cyber security, and data protection.
- Ensuring Fund policies and strategies are in place and appropriately maintained.
- Procurement of advisers and other services.
- Assisting internal and external auditors in their role.
- Responding to freedom of information requests.
- Participation in the Joint Committee of the ACCESS pool.

#### Accountancy

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

#### Funding

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

#### Investments

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

## Administration

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

## Payroll

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

## Communication

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

## Technical

- Maintaining and updating the pensions administration and pensioner payroll system.
- Ensuring presence, accuracy, and regular review of scheme member data in line with the expectations of the Pensions Regulator and to comply with the General Data Protection Regulations.
- Providing guidance on changes in processes following new or amending legislation.
- Monitoring and reporting on progress against key performance indicators and daily work management.
- Providing reports and extracts for GAD and other government departments.

- Reporting and making payments to HMRC.
- Processing bulk updates to member records such as new joiners and leavers, pensions increase, CARE revaluation and monthly pensionable pay and contribution data.

## Challenges and influences over the next three years

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

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

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

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

## Budget

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

### Cash flow projection 2022/23 to 2025/26

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

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

## Management Expenses

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

## Administration Expenses

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

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

## Delivering the business plan

### Monitoring and reporting

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

The updates will:

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

### Risk Management

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

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

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

Procurement of Services

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



Core governance activities

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

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

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

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

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

Investment related activities

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

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

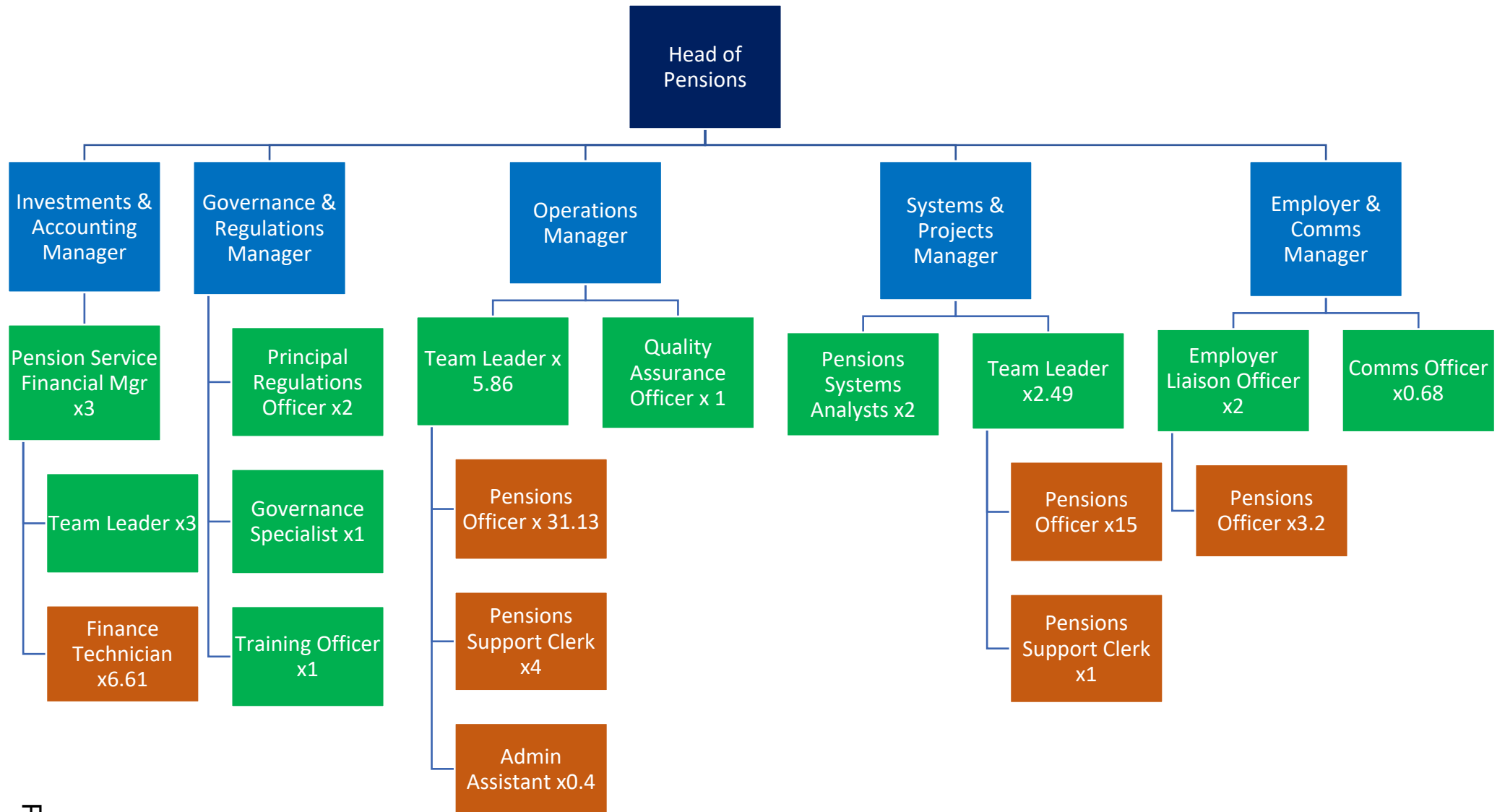
<b>Activity</b>	<b>Background</b>	<b>Key Milestones</b>	<b>Resources required</b>
Continue with the development of the website	<p>Following review of the pension fund website and testing of recommended changes, a homepage and example content pages have been developed and comments received from the local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

<p>Review suitability of having multiple investment strategies</p>	<p>The Pension Fund Committee previously considered whether to introduce multiple investment strategies to provide greater flexibility to meet the different funding requirements of scheme employers.</p> <p>This was not previously implemented as modelling of a variety of “investment buckets” suggested no material improvement in funding outcomes, with increased downside risk.</p> <p>However, modelling did suggest that multiple investment strategies may provide improved outcomes if certain conditions were different, including if asset values were 20% greater than at the time of the modelling.</p> <p>Reconsideration is therefore proposed via a two-stage process, initially investigating whether the landscape has sufficiently changed to warrant further impact modelling and then a full impact review of the options.</p>	<p>Actuary to carry out initial assessment to determine if conditions have changed sufficiently to warrant further impact modelling (April 2024).</p> <p>Officers to consider results of initial assessment (May to June 2024).</p> <p>Officers to make recommendation to Committee (July 2024)</p> <p>If recommended and approved Fund officers to discuss scope of impact modelling and options to be considered (August to September 2024).</p> <p>Actuary to carry out impact modelling (October to December 2024).</p> <p>Officers to consider results of impact modelling (January 2024)</p> <p>Officers to present results and make recommendation to Committee for approval (March 2025).</p>	<p>Costs will be dependent on the scope of the review. If recommended by the Fund Actuary, the Committee will be asked to approve progress to the second stage of the review and will be provided with updated costs at that time.</p> <p>The cost of the previous impact modelling was £35,000.</p>
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<p>Prepare for 2025 Fund Valuation</p>	<p>The date of the next triennial valuation of the Pension Fund is 31 March 2025 with results to be published by 31 March 2026 and new employer contribution rates effective from 1 April 2026. Officers will work with the Fund’s actuarial advisors to develop requirements and plan for the valuation.</p> <p>This will include a review of assumptions to be used for the valuation and preparation of early valuation results for large local authority employers.</p>	<p>Develop plan with Fund Actuary (April to June 2024).</p> <p>Undertake pre-valuation activities (July 2024 to March 2025).</p> <p>Valuation of the Pension Fund April 2025 to March 2026).</p>	<p>Required resources have been included in the administration budget for 2024/25. Associated costs have also been included in the draft budget for 2025/26.</p>
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Appendix A: Full Pensions Service structure



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

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## **Northamptonshire Pension Fund - Climate Action Plan**

### **Calendar Year**

#### **Quarter 1 2022**

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

#### **Quarter 2/3 2022**

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

#### **Quarter 3/4 2022**

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

### **2023**

#### **Quarter 1 2023**

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

### **Quarter 2 2023**

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

### **Quarter 3 2023**

Engage with ACCESS on sustainable/impact infrastructure managers (based on Committee preferences following Q2 2022 discussion)	✓
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### **Quarter 4 2023**

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

### **2024**

#### **Quarter 1 2024**

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

### **Quarter 2 2024**

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

### **Quarter 3 2024**

Continuation of the work with active managers to implement carbon reduction measures and increase the sustainability of the portfolios they manage	
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## West Northamptonshire Council

### Pension Committee

27/03/2024

### Mark Whitby – Head of Pensions

<b>Report Title</b>	2024/2025 Northamptonshire Pension Fund communications plan
<b>Report Author</b>	Sharon Grimshaw Communications Officer sharon.grimshaw@westnorthants.gov.uk

#### Contributors/Checkers/Approvers

<b>MO</b>	Sarah Hall on behalf of Catherine Whitehead	06/03/2024
<b>S151</b>	James Smith on behalf Martin Henry	04/03/2024
<b>Head of Pensions</b>	Mark Whitby	14/02/2024

#### List of Appendices

Appendix 1 – Northamptonshire Pension Fund communications plan

#### **1. Purpose of report**

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1.1. The purpose of the report is to obtain approval for our communications plan for 2024/25.

#### **2. Executive summary**

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2.1 The communications plan outlines our activities monthly for each stakeholder group. As well as sending out statutory communications planned newsletters, surveys, employer training and web updates it also highlights other key communications initiatives.

#### **3. Recommendations**

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3.1 The Pension Committee is asked to approve the communications plan.

- 3.2 Reason for recommendation: to follow the Local Government Pension Scheme (LGPS) regulations 2013 to give information and publicity about the scheme to members and employers.

#### **4. Report background**

---

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

#### **5. Issues and choices**

---

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

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

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##### **6.1 Resources and Financial**

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

##### **6.2 Legal**

- 6.2.1 Not applicable.

##### **6.3 Risk**

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

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

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

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

#### 6.4 Relevant Pension Fund objectives

6.4.1 The following objectives have been considered in this report:

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

#### 6.5 Consultation

6.5.1 Not applicable.

### 7. Background papers

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7.1 [Communications strategy](#)

## Communications plan 2024/25

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



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

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Item no:



## West Northamptonshire Council

### Pensions Committee

27 March 2024

### Mark Whitby – Head of Pensions

Report Title	2023-24 External Audit Plan for the Northamptonshire Pension Fund
Report Author	Ben Barlow, <a href="mailto:Ben.Barlow@Westnorthants.gov.uk">Ben.Barlow@Westnorthants.gov.uk</a>

#### Contributors/Checkers/Approvers

West MO	Sarah Hall on behalf of Catherine Whitehead	06/03/2024
West S151	James Smith on behalf of Martin Henry	04/03/2024
Head of Pensions	Mark Whitby	21/02/2024

#### List of Appendices

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

##### 1. Purpose of Report

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

##### 2. Executive Summary

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- 2.1 Grant Thornton act as Northamptonshire Pension Fund's external auditors. As the external auditors they have produced a plan of the upcoming audit 2023-24 of the Northamptonshire Pension Fund.
- 2.2 The key risks and areas of focus for Grant Thornton are valuation of Level 3 investments and management over-ride of controls.
- 2.3 Planning materiality for the financial statements is £48.5m, 1.5% of estimated gross assets. Planning materiality for the fund account is £13.2m, 10% of prior year gross expenditure.

2.4 The total audit fees for the year £132,848, excluding IAS 19 letters for employer body auditors. The scale fee for the year is £123,818.

### 3. Recommendations

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3.1 The Pension Committee is asked to:

a) Note the External Audit Plan 2023-24 and the presentation by Grant Thornton.

### 4. Reason for Recommendations

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4.1 To ensure the Committee;

a) understand how Grant Thornton will carry out their audit and in what areas; and

b) understand the levels of materiality and areas considered worthy of additional audit testing to ensure appropriate oversight of the Pension Fund’s financial affairs.

### 5. Report Background

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

### 6. Content, Responsibilities and Timeline

---

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

a) whether the financial statements of Northamptonshire Pension Fund give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and the amount and disposition of the Fund’s assets and liabilities as at 31 March 2024; and

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

6.2 GT have produced an audit plan, setting out identified audit risks, expected materiality levels, the audit logistics and the planned delivery of the audit process. A Key Audit Manager from Grant Thornton, Grant Patterson, will attend this meeting to present the audit plan.

6.3 Page 7 of the accompanying report identifies the key risks and areas of auditor focus, details the Auditor’s planned approach to these risk areas. These, along with the Fund’s approach are summarised in the following table.

Risk/area of focus	Audit approach	Fund approach
Valuation of Level 3 investments (annual valuation)	<ul style="list-style-type: none"> <li>Evaluate management’s processes for valuing level 3 investments;</li> <li>Review the nature and basis of estimated values and consider what</li> </ul>	<ul style="list-style-type: none"> <li>Provide working papers demonstrating the value used at the year end and the valuation methodology</li> </ul>



Risk/area of focus	Audit approach	Fund approach
	<p>assurance management has over the year end valuations provided for these types of investment to ensure the requirements of the code are met;</p> <ul style="list-style-type: none"> <li>• Independently request year end confirmations from Investment Managers;</li> <li>• Sample testing of investment values;</li> <li>• Obtain and review service audit reports; and</li> <li>• Sample testing of purchases and sales.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide quarterly reconciliation reports</li> <li>• Liaise with Investment Managers to provide information to auditors on a timely basis</li> </ul>
Management over-ride of controls	<ul style="list-style-type: none"> <li>• Evaluate the design effectiveness of management controls over journals;</li> <li>• Analyse the journals listing and determine the criteria for selective high risk unusual journals;</li> <li>• Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• Gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure process notes include identified risks</li> <li>• Provide written process notes which detail controls</li> <li>• Make copy journals available</li> <li>• Provide working papers demonstrating the value used for the journals</li> </ul>

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

Audit Area	Materiality
Planning Materiality – financial statements	£48.5m
Planning Materiality – fund account	£13.2m

<b>Audit Area</b>	<b>Materiality</b>
Unadjusted misstatements – triviality threshold	£2.4m

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

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

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

	Proposed Fee
Scale Fee	£123,818
ISA 315	£7,530
Potential impact of delayed 2021-22 and 2022-23 audits	£1,500
IAS 19 assurance letters	TBC
Total Fee	£132,848 (+TBC)

- 6.7 The statutory date for publication of the final set of the Council’s Statement of Accounts is the end of September, or as soon as reasonably practicable after the receipt of the auditor’s final findings (if later).
- 6.8 The statutory date for publication of the Pension Funds Annual Report is 1st December.

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

### **7.1 Resources and Financial**

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

### **7.2 Legal**

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

### **7.3 Risk**

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

<b>Risk No.</b>	<b>Risk</b>	<b>Residual risk rating</b>
4	Contributions to the Fund are not received on the correct date and/or for the correct amount	Amber

<b>Risk No.</b>	<b>Risk</b>	<b>Residual risk rating</b>
5	Fund assets are not sufficient to meet obligations and liabilities.	Amber
7	Information may not be provided to stakeholders as required	Green
9	Those charged with governance are unable to fulfil their responsibilities effectively	Green
10	Risk of fraud and error	Green
15	Custody arrangements may not be sufficient to safeguard Pension Fund assets.	Green
17	Failure to administer the scheme in line with regulations and guidance.	Green
19	Pension Fund investments may not be accurately valued.	Green
25	Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	Green

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

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

#### 7.4 Relevant Pension Fund Objectives

a) The following objectives have been considered in this report -

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

#### 7.5 Consultation

- a) 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. Background Papers**

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8.1 None.

# Northamptonshire Pension Fund audit plan

Year ending 31 March 2024

Northamptonshire Pension Fund  
March 2024



# Contents



## Your key Grant Thornton team members are:

### Grant Patterson

Key Audit Partner

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### William Howard

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## Section

Key matters

Introduction and headlines

Significant risks identified

Other matters

Progress against prior year recommendations

Our approach to materiality

IT audit strategy

Audit logistics and team

Audit fees and updated Auditing Standards

Independence and non-audit services

Communication of audit matters with those charged with governance

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

# Key matters

## National context

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

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

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

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

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

## Audit Reporting Delays

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

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

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

# Key matters - continued

## Our Responses

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



# Introduction and headlines

## Purpose

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

## Respective responsibilities

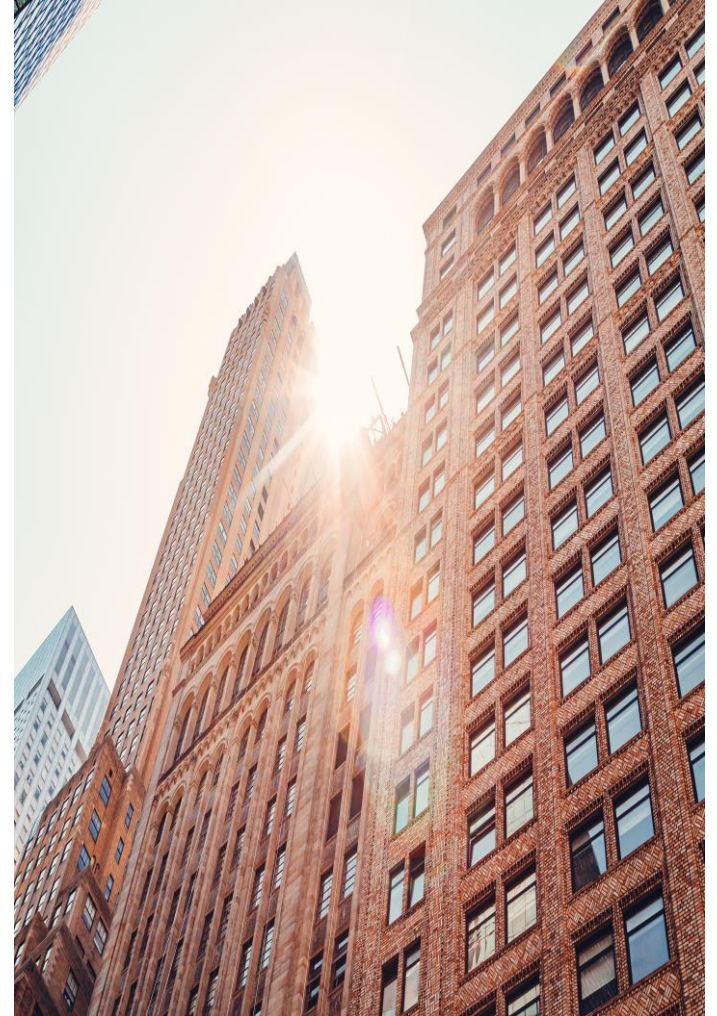
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. The NAO is in the process of updating the Code. Our respective responsibilities are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

## Scope of our audit

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

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

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



# Introduction and headlines

## Significant risks

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

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

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

## Materiality

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

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

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

## Audit logistics

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

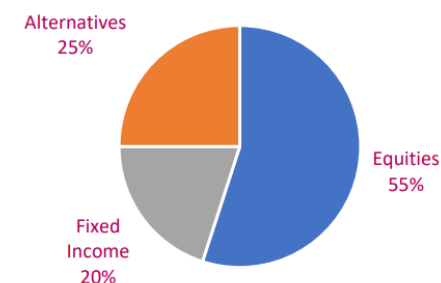
Our preference is for all our work to take place on site alongside your officers.

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

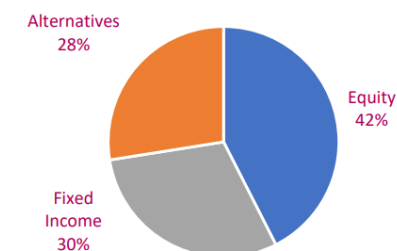
Our understanding is, as shown opposite, the Fund will be transition more from equities into fixed income (Level 1 and 2 assets) whilst maintaining its proportion of alternative assets (Level 3 assets). The Fund's Custodians do not independently value its Level 1 and 2 Investments. This means we are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

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

Strategic Allocation at 31 March 2023



Approved Strategic Asset Allocation



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

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

# Significant risks identified

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

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

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

# Significant risks identified - continued

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

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

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

# Other matters

## Other work

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

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

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

## Other material balances and transactions

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

# Progress against prior year audit recommendations

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

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

Assessment

Action completed

Not yet addressed

# Our approach to materiality

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

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

# Our approach to materiality

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

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





# IT audit strategy

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

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

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

# Audit logistics and team



## Araminta Allen, Audit Incharge

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



### William Howard, Audit Manager

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



### Grant Patterson, Key Audit Partner

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

## Audited Entity responsibilities

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

## Our requirements

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

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

# Audit fees and updated Auditing Standards

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

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

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

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

## Assumptions

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

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

## Updated Auditing Standards

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

# Audit fees

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

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

## Previous year

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

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

## Relevant professional standards

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

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# Independence and non-audit services

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## Auditor independence

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

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

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

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

## Other services

No other services provided by Grant Thornton were identified.

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

# Communication of audit matters with those charged with governance

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

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

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

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

# Communication of audit matters with those charged with governance

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



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## West Northamptonshire Council

### Pension Fund Committee

27/3/2024

### Mark Whitby – Head of Pensions

<b>Report Title</b>	Northamptonshire Pension Fund – Cashflow Projections Report
<b>Report Author</b>	Cory Blose Employer services and Communications Manager <a href="mailto:cory.blose@westnorthants.gov.uk">cory.blose@westnorthants.gov.uk</a>

#### Contributors/Checkers/Approvers

<b>MO</b>	Sarah Hall on behalf of Catherine Whitehead	06/03/2024
<b>S151</b>	James Smith on behalf of Martin Henry	04/03/2024
<b>Head of Pensions</b>	Mark Whitby	15/02/2024

#### List of Appendices

Appendix A Cashflow projections report

#### 1. Purpose of Report

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

#### 2. Executive Summary

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- 2.1 This report introduces a presentation to be provided by the Fund's Actuary summarising the results of recent cashflow projections modelling.
- 2.2 A full report has been provided by the Fund Actuary and is included as appendix A to this report.
- 2.3 The report considers the expected value of member and employer contributions paid into the Fund against the value of benefit payments paid out of the Fund.
- 2.4 When the value of contributions received exceeds the value of benefit payments, the Fund has a positive cashflow position and is able to pay benefits as they fall due from the income received from the contributions.

- 2.5 When the value of contributions received is less than the value of benefit payments, the Fund has a negative cashflow position and will need to draw on the Fund's invested assets to meet benefit payments as they fall due, either by using the income generated by the Fund assets or by selling Fund assets.
- 2.6 A negative cashflow position is not an issue as long as it is monitored and planned for. Fund assets have been building up for the purpose of paying benefits but if the position is not monitored and managed effectively, the Fund could be forced to sell assets at an inopportune time.
- 2.7 By monitoring when the Fund can expect to become cash flow negative allows for a planned and managed sale of assets.
- 2.8 The Fund's cashflow position is sensitive to inflation due to members benefits being index linked with the revaluation of benefits and pension increases being linked to CPI.
- 2.9 The report considers the potential net cashflow position of the Fund across three possible inflation scenarios. A baseline scenario representing consensus forecasts for future inflation based on current market data as well as a scenario assuming a recession (with low inflation) and a high inflation scenario.
- Baseline scenario: The Fund is expected to become cashflow negative by 2026.
  - Recession: The Fund is expected to remain broadly cashflow neutral over the short and medium term.
  - High Inflation: The Fund is expected to become cashflow negative over the next few years.

### **3. Recommendation**

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

### **4. Reasons for Recommendation**

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

### **5. Report Background**

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

- avoids the risk of being a forced seller
  - has adequate income generating assets
  - makes the most efficient use of income generated by the Fund's assets
  - implements an optimum cash management policy
- 5.5 Member benefits are protected against inflation through the Pension Increase order which is linked to the consumer prices index (CPI) as at the previous September. The value of member benefits and the Fund's cashflow position is therefore sensitive to the rate of inflation.
- 5.6 The focus on cashflow is greater due to the significant increase in the rate of inflation and resulting increase to benefits at April 2023 (10.1%) and April 2024 (6.7%).
- 5.7 The report therefore considers three potential inflation scenarios; a baseline scenario based on consensus forecasts on future inflation, a plausible high inflation scenario and a plausible recession scenario.

## 6. Issues and Choices

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### 6.1 Presentation by Fund Actuary

The Fund Actuary will give a presentation during the meeting to summarise the report for the Committee. This will cover:

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

### 6.2 Summary of Results

The actuary will talk through the results in detail but the headlines are:

- **Baseline scenario:** The Fund is expected to become cashflow negative by 2026 but is generating sufficient income to meet the expected cashflow shortfall over the next 20 years.
- **Recession:** The Fund is expected to remain broadly cashflow neutral in the short to medium term if inflation is low.
- **High Inflation:** The Fund is expected to become cashflow negative over the next few years with the gap growing if high inflation persists. This could create a requirement for more income generating assets to ensure there is sufficient cash to pay benefits.

## 7 Implications (including financial implications)

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### 7.1 Resources and Financial

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

### 7.2 Legal

- 7.2.1 There are no legal implications arising from the report.

### 7.3 Risk

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

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

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

[Northamptonshire Risk Register](#)

### 7.4 Relevant Pension Fund Objectives

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

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

### 7.5 Consultation

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

# Northamptonshire Pension Fund

## Cashflow projections



Steven Scott FFA

**21 December 2023**

**For and on behalf of Hymans Robertson LLP**

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# Executive summary

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

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



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



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



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

# Background and inputs



# What is cashflow negativity and does it matter?

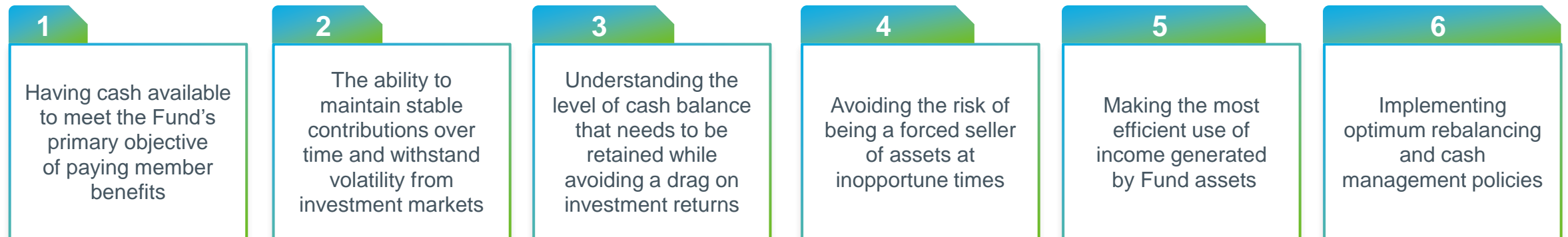
Every month, the Fund receives income via contributions and pays out benefits to members. Historically, the benefits have been paid out of the contribution income with any excess being invested. This is how the Fund's asset value has built up over time (along with investment returns).

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

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

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

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



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

# Recent cashflow position

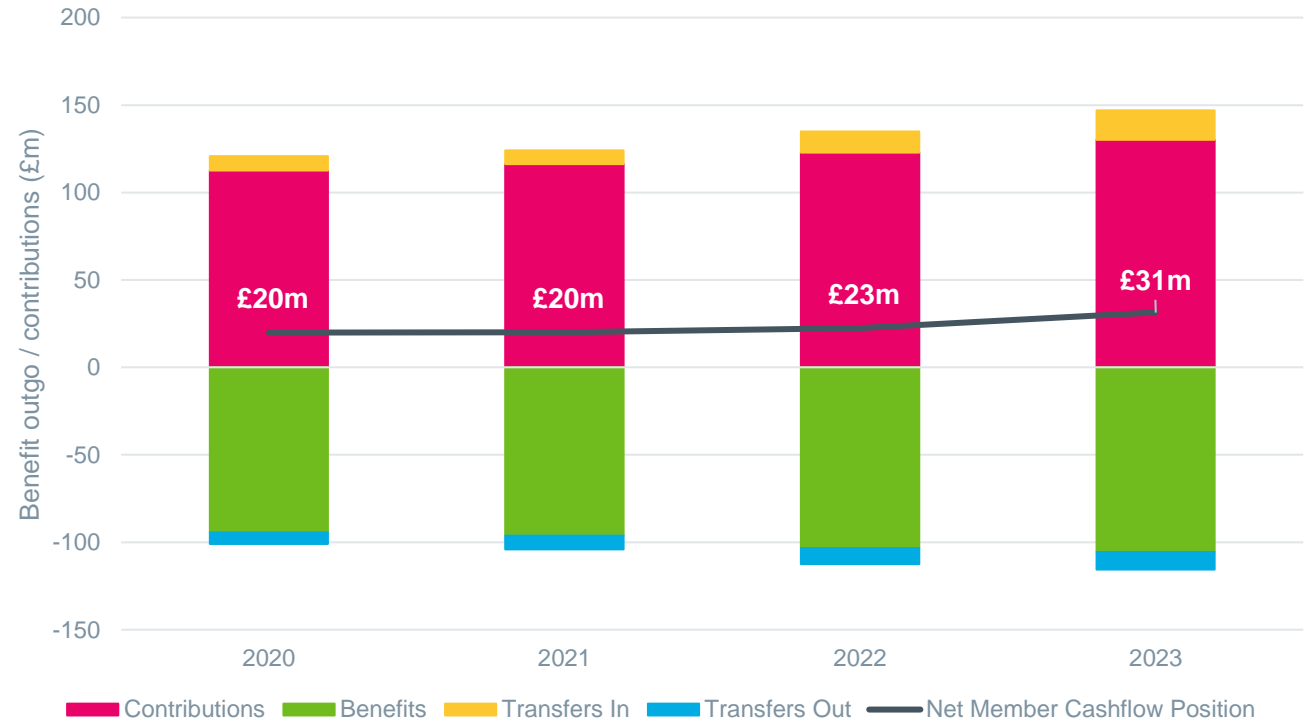
Using the annual report and accounts for years ending 2020, 2021, 2022 and 2023 (draft), we have analysed the recent cashflow position for the Fund.

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

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

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

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



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

# What are the cashflows of the Fund

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

## The Fund's primary sources of income are:

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

## Contributions paid are estimated based on:

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

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

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

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

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

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

# Data, assumptions and methodology

## Membership data

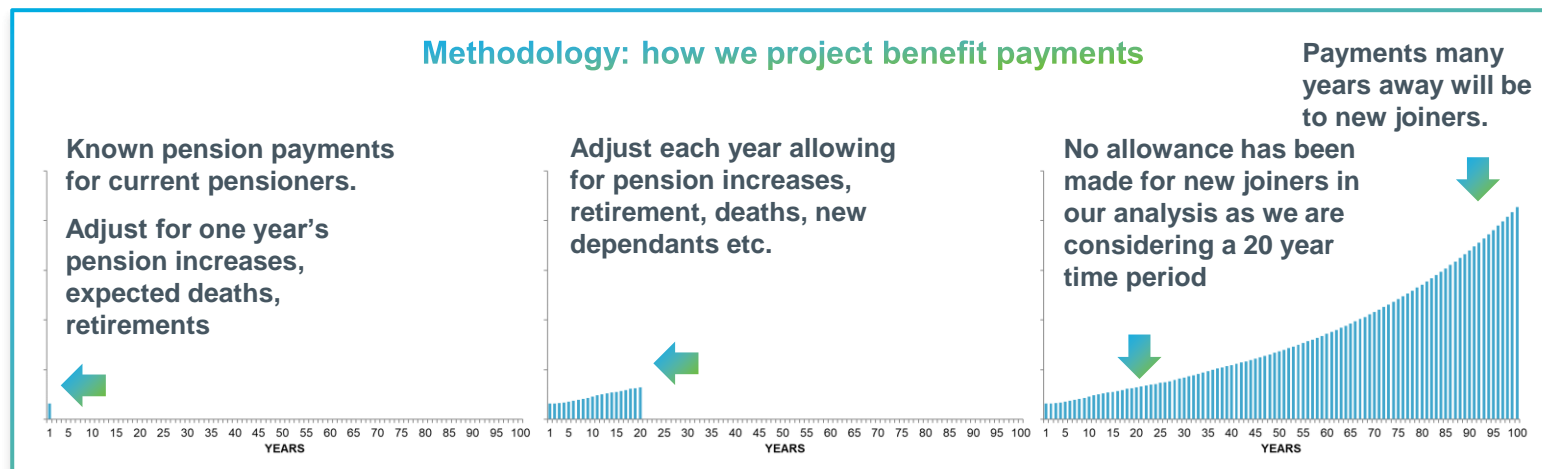
We have used the membership data provided for the 2022 valuation of the Fund.

## Assumptions

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

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

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



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

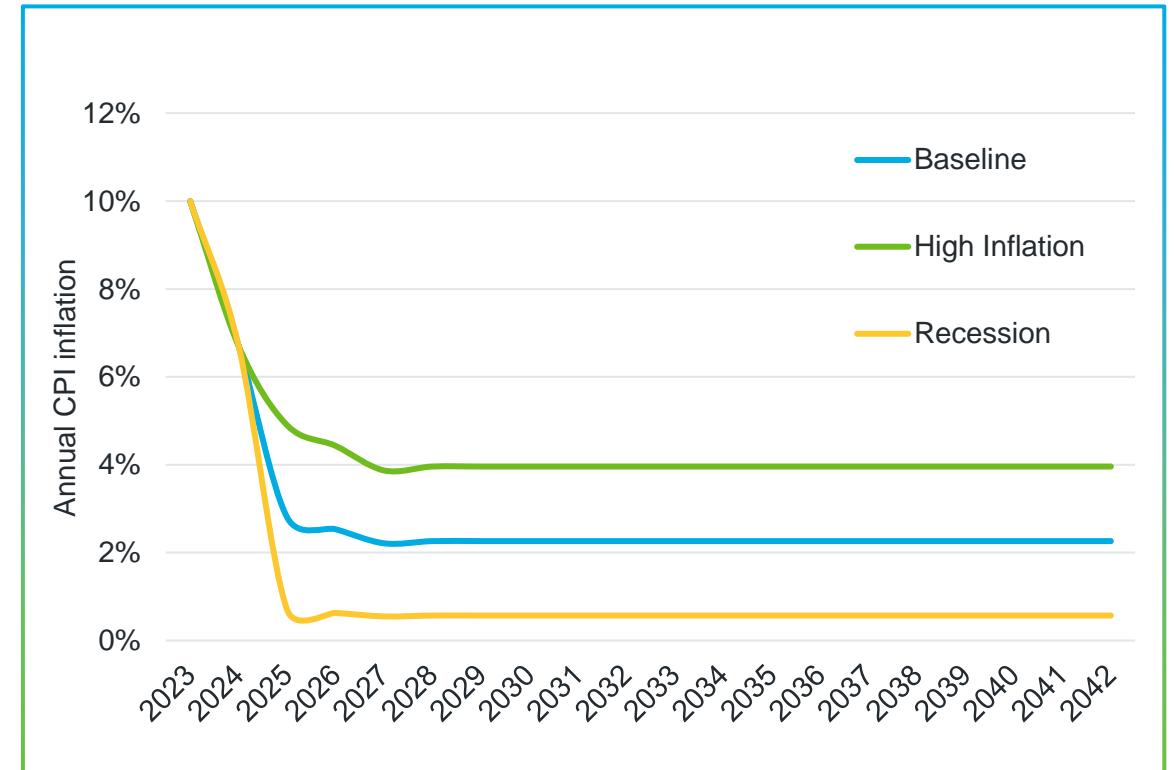
# Scenarios explored

## Future CPI inflation

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

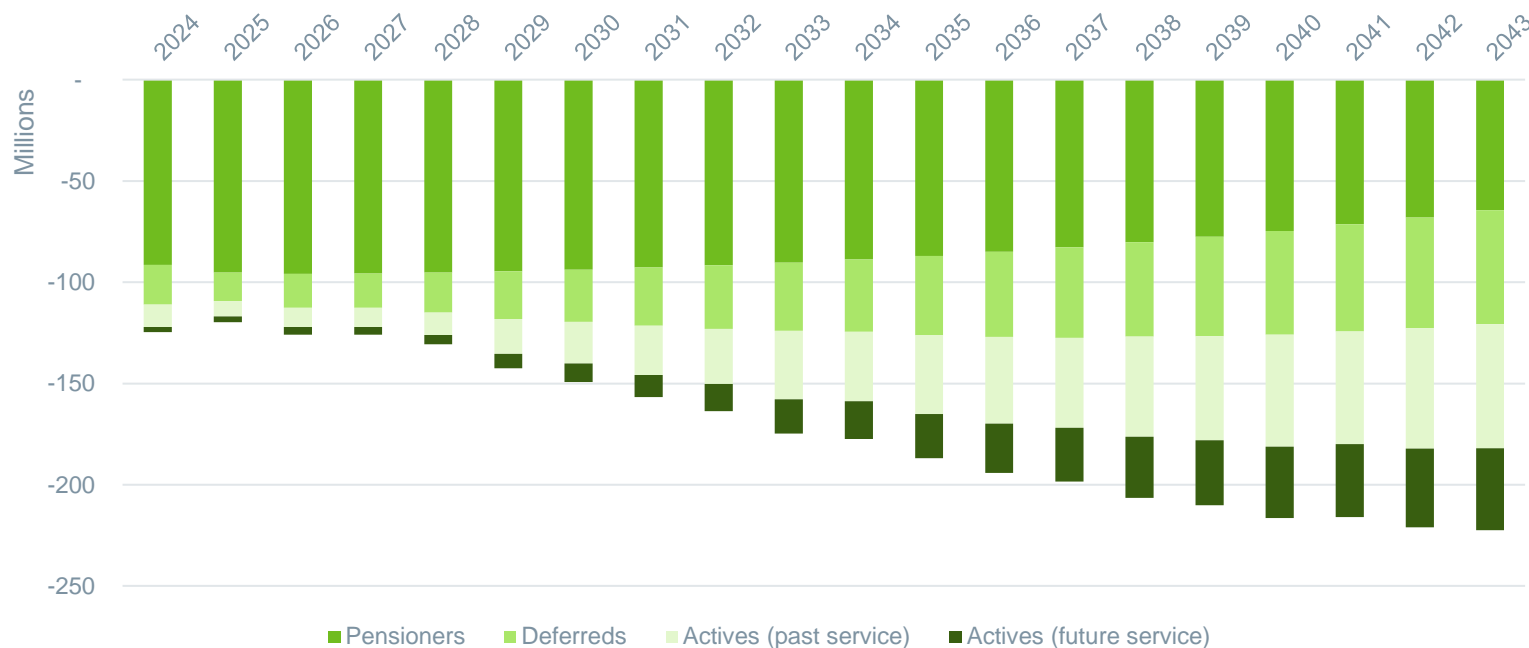
- Scenario 1: this **baseline** scenario represents consensus forecasts for future inflation based on current market data. This is a combination of short-term market expectations and longer-term expectation that the rate will tend towards the Bank of England's 2% target.
- Scenario 2: this represents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

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



# Inflation scenarios

# Projected benefit outflows (baseline scenario, consensus inflation)

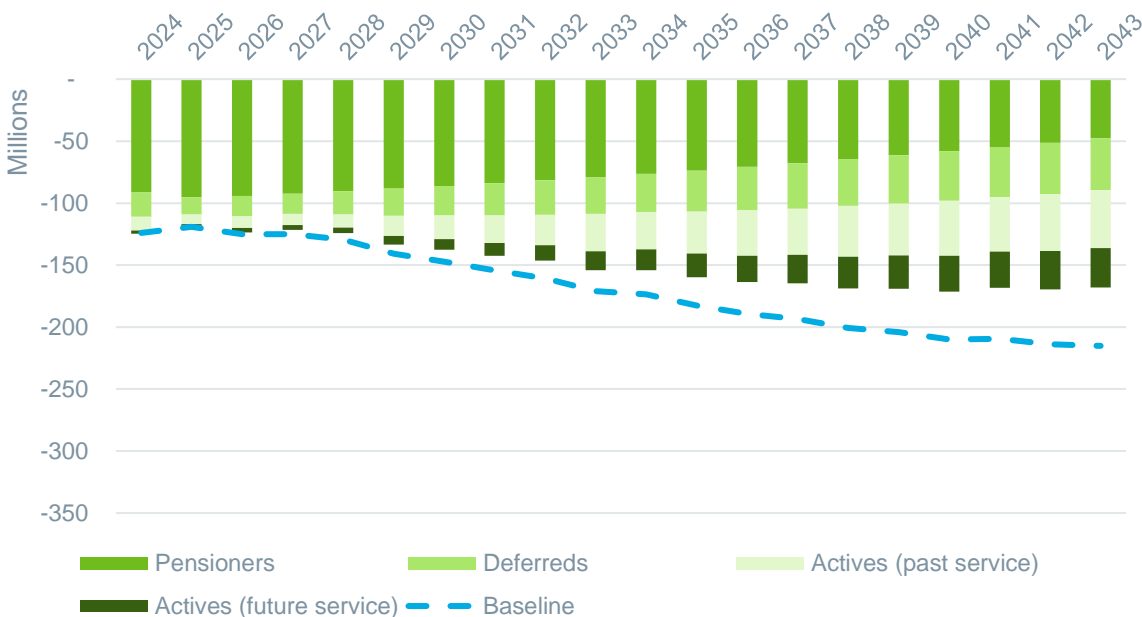


**Notes**  
 The years along the x-axis (horizontal) refer to the year-end i.e. 2024 means the 2023/24 financial year (from 1 April 2023 to 31 March 2024).  
 Increased benefit outflow in 2024 in comparison to 2025 is because of the model assumption that all active members already past their assumed retirement age will retire 1 year after the valuation date (2022). In reality these outflows would be spread across a longer period.

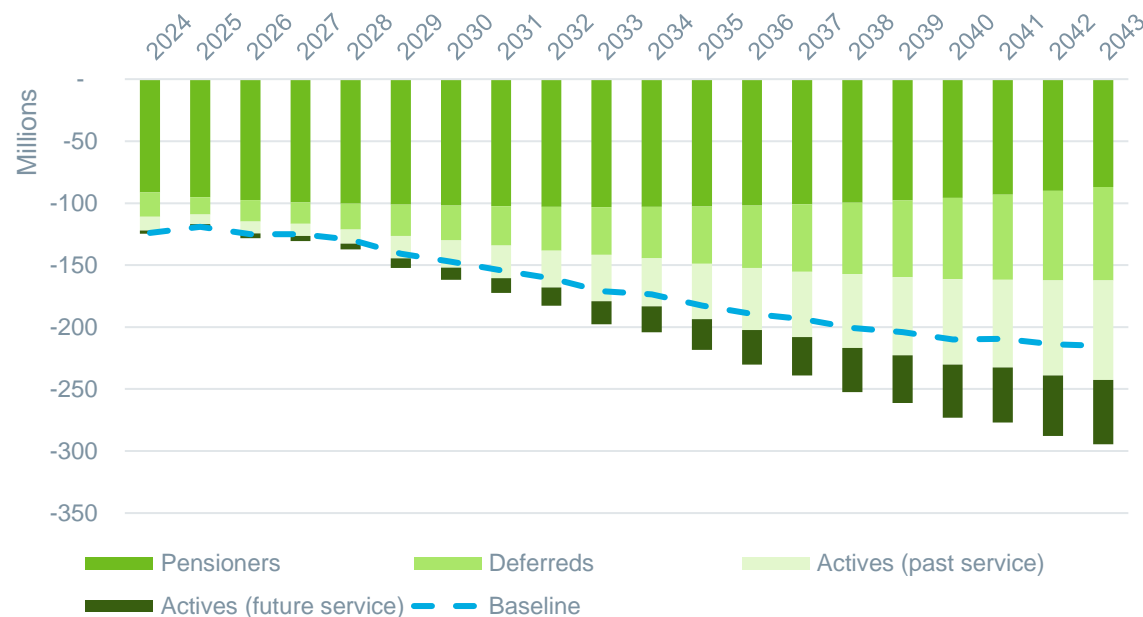
The Fund currently pays around £105m in benefit payments. This is expected to double by 2039.

# Projected benefit outflows (alternative inflation scenarios)

## Recession



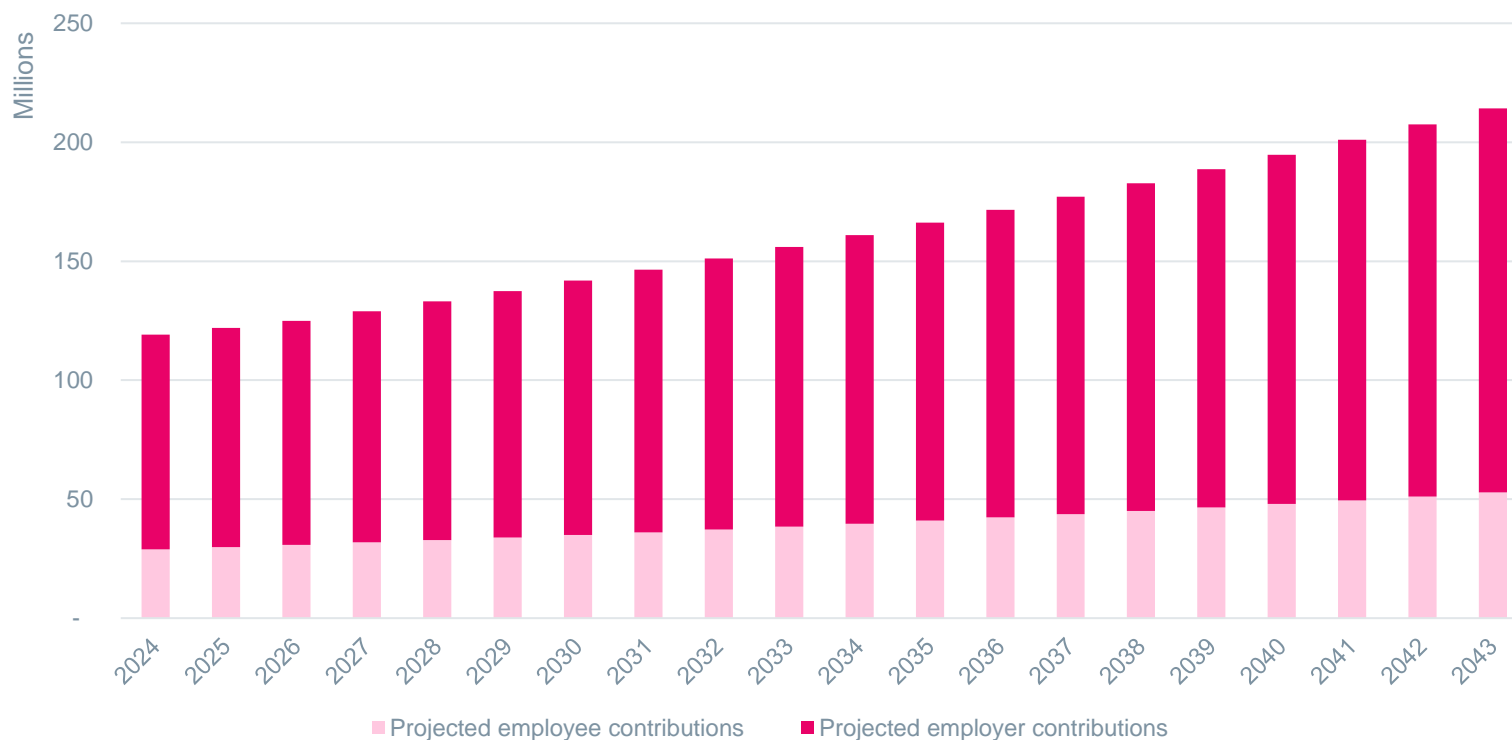
## High Inflation



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



# Projected contribution income (all inflation scenarios)

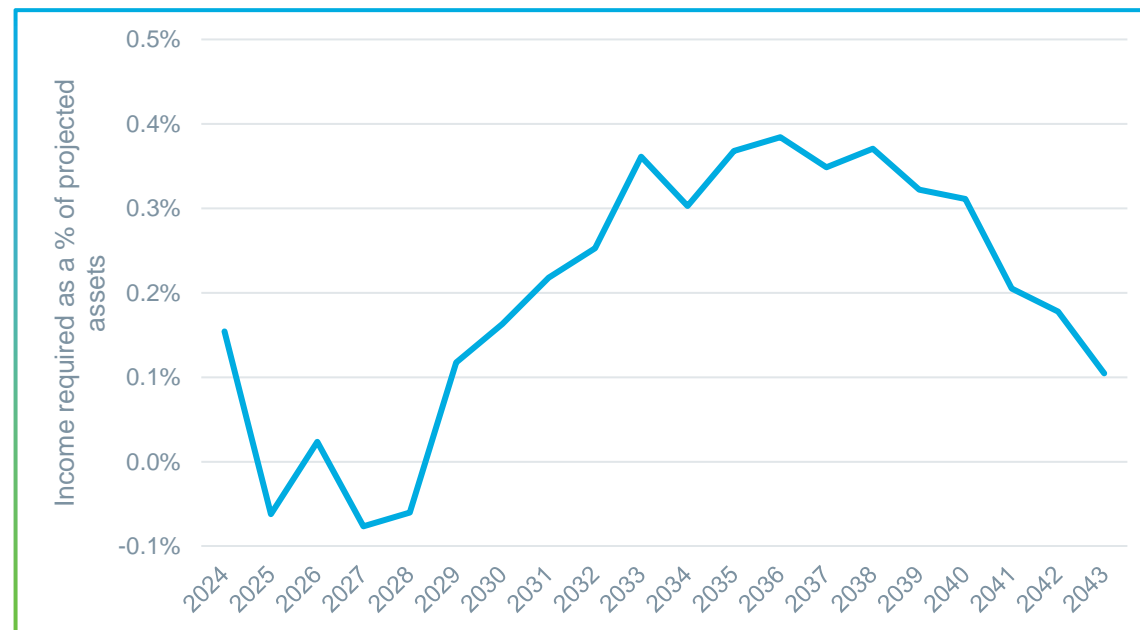
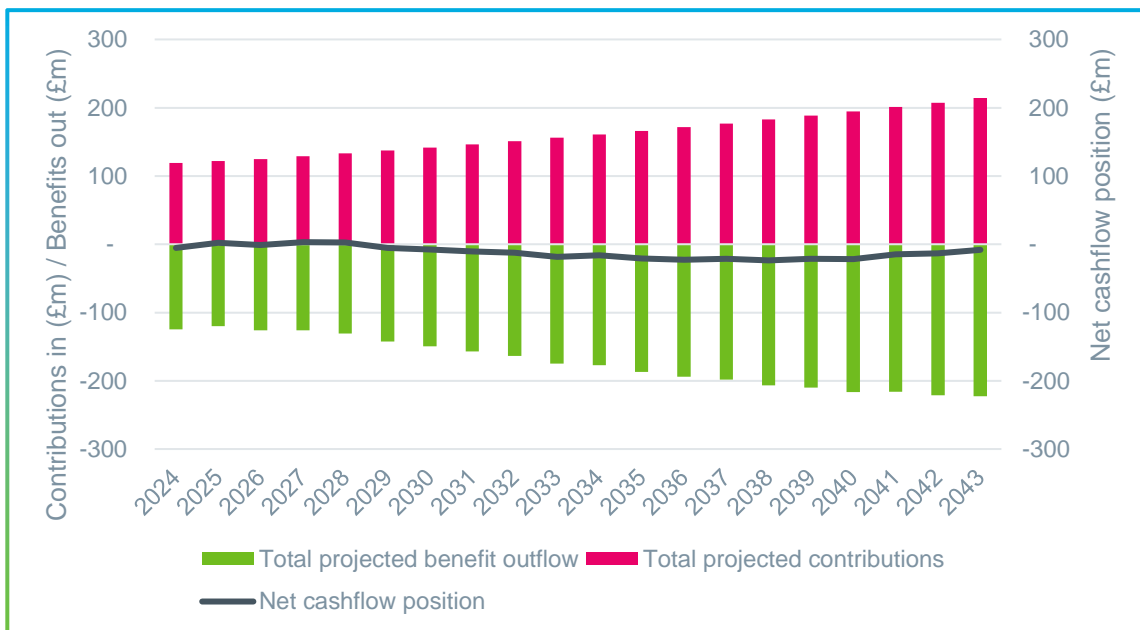


**Notes**  
 New entrants are assumed to replace leavers, and are implicitly allowed for in the income cashflow by assuming the payroll grows with inflation.

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

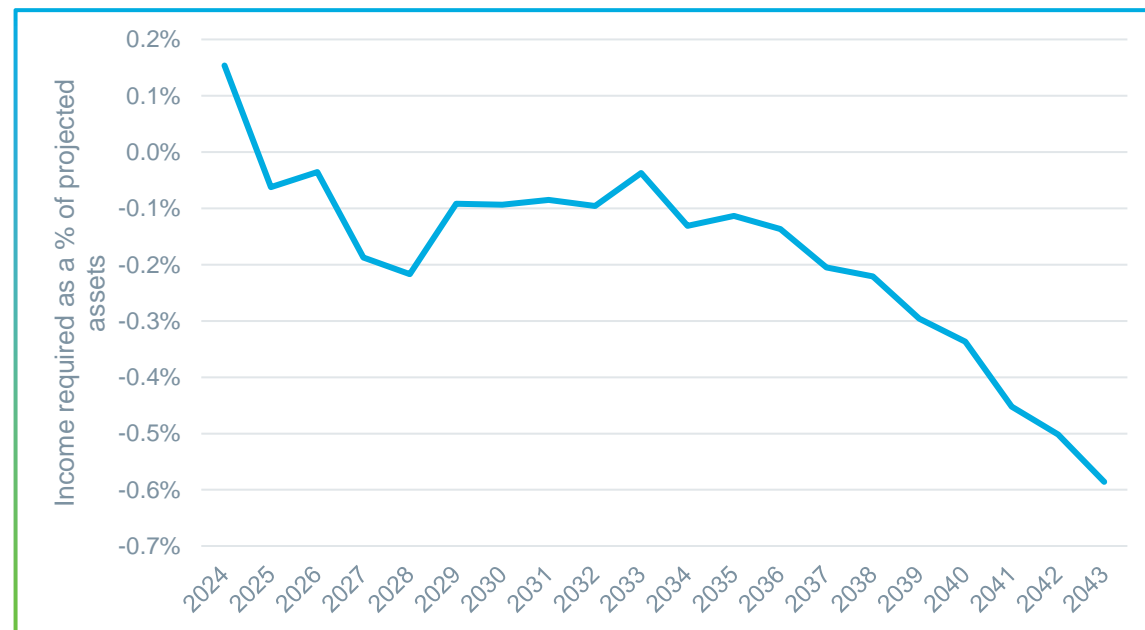
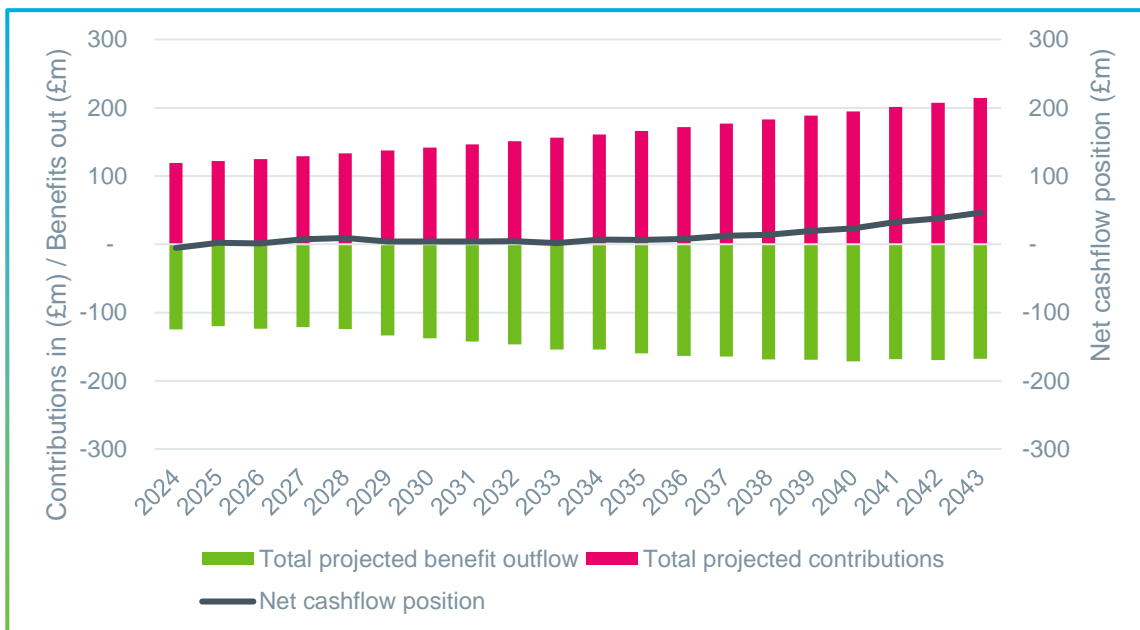
Payroll is assumed to grow at 3.2% pa (in line with the formal valuation), however allowance has been made for national local government pay award information in 2023 and 2024.

# Whole fund net cashflow (baseline scenario)



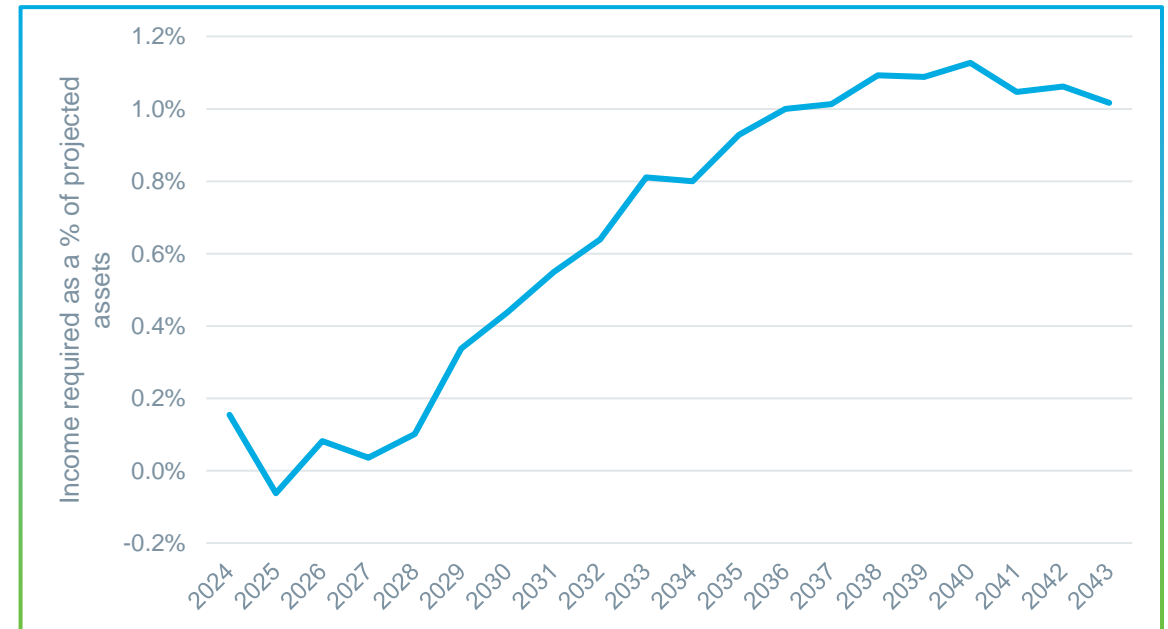
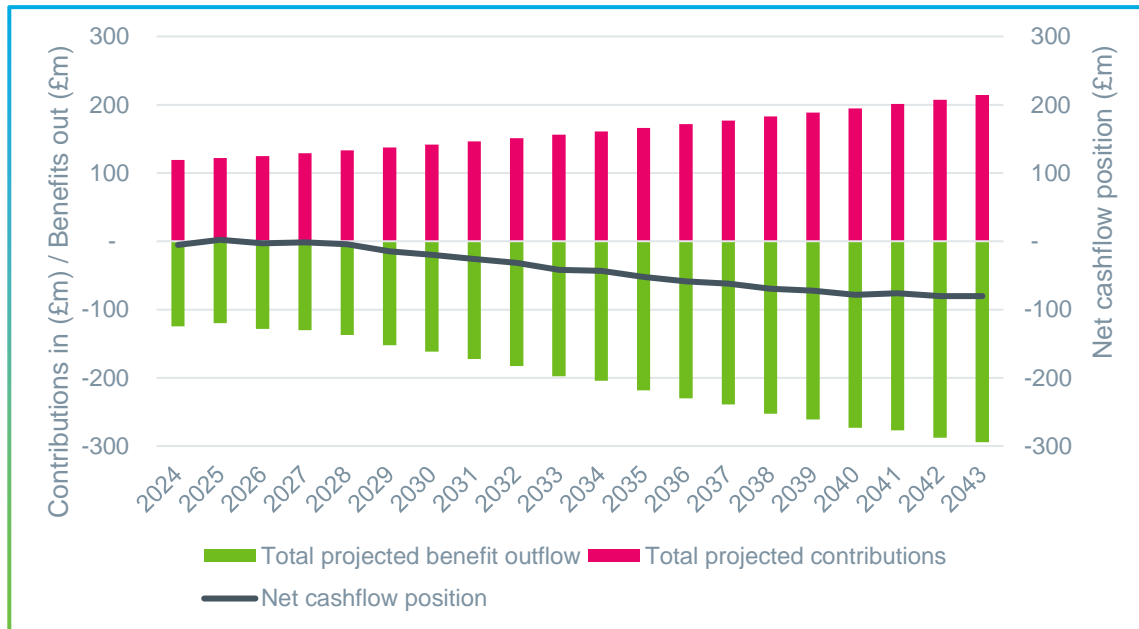
Benefit outflow is expected to exceed contribution income by 2026 (we have discarded 2024 as it is a result of the retirement age assumption – in reality these retirements may be spread over the next 2-3 years). However, the Fund’s current income yield from assets (c.0.7% pa) would be sufficient to meet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

# Whole fund net cashflow (recession scenario)



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

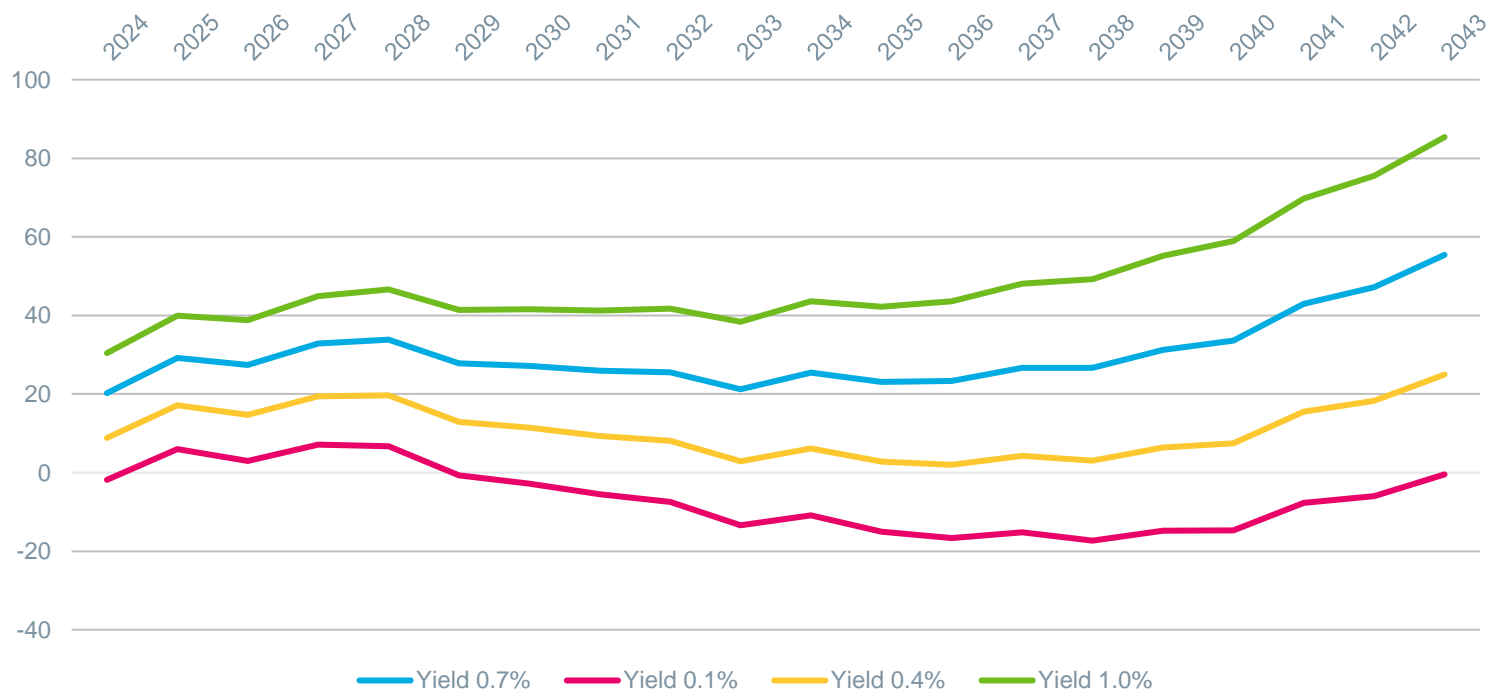
# Whole fund net cashflow (high inflation scenario)



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

# Investment yield sensitivity

# Sensitivity of net cashflow to investment income yield



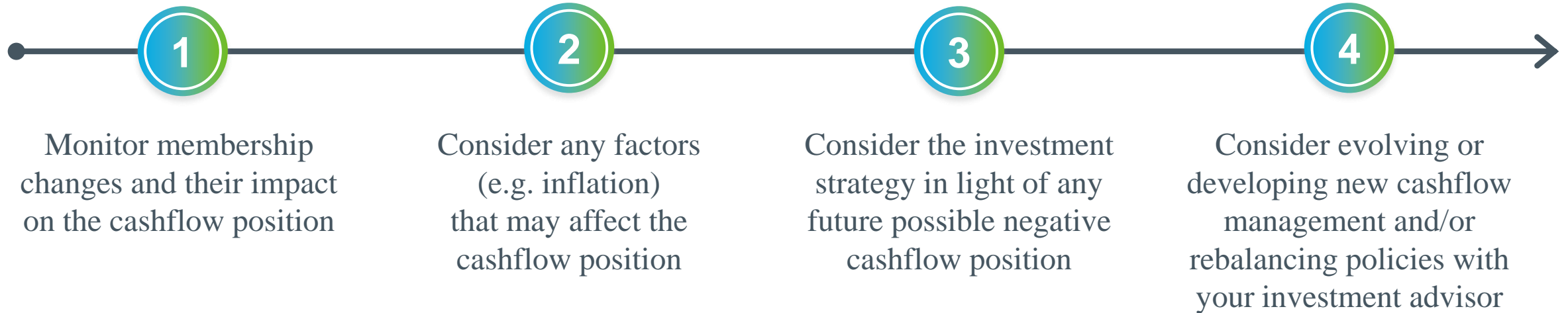
**Notes**  
 This highlights the sensitivity of the cashflow position to the investment income yield. For example, a yield of 0.7% pa results in a positive cashflow position for the majority of the 20-year period under investigation (baseline scenario).  
 A yield of 0.1% pa (as shown) may result in a cashflow negative position for the majority of the 20-year projection period.  
 Based on the latest Fund accounts, the current investment income yield (net of investment management fees) is around 0.7% pa. This level of yield results in a positive cashflow position over the period (the blue line), meaning the Fund may not have to increase income generation or sell assets to continue to meet pensions obligations as they fall due.

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



# Next steps

# Next steps





# Reliances and limitations

## APPENDIX 1

# Reliances and limitations

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

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

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

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

**Three of the important uncertainties are the:**

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

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

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

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

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

- TAS100
- TAS300.

Thank you

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Northamptonshire Pension Committee/Investment Sub Committee Agenda Plan

Meeting date	Agenda item	Lead officer
<b>27/3/2024</b> <b>PC</b>	Administration Report [standing item]	M Oakensen
	Annual Business Plan and Medium-Term Strategy [approval]	M Whitby
	Governance and Compliance Report [standing item]	M Oakensen
	Employer Admission and Cessation Report [standing item]	C Blose
	Communication Plan [approval]	C Blose
	External Audit Plan 2023-24 [to note]	B Barlow
	Cashflow Modelling [to note]	C Blose
	AVC paper [approval] exempt	M Oakensen
	ACCESS Update [standing item] exempt	M Whitby
<b>June 2024</b> <b>PC</b>	Administration Report [standing item]	M Oakensen
	Business Plan Update [standing item]	M Whitby
	Governance and Compliance Report [standing item]	M Oakensen
	Employer Admission and Cessation Report [standing item]	C Blose
	Communication Strategy [approval]	C Blose
	Administration Strategy [approval]	C Blose
	Northamptonshire Pension Fund Committee Effectiveness Review	M Oakensen
<b>Page</b> <b>151</b>	Risk Monitoring [standing item] – exempt	M Oakensen
	ACCESS Update [standing item] exempt	M Whitby



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of the Local Government Act 1972.

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