



Audit and Governance Committee

A meeting of the Audit and Governance Committee will be held at The Jeffrey Room, The Guildhall, Northampton on Wednesday 25 January 2023 at 6.00 pm

Agenda

1.	Apologies for Absence and Notification of Substitute Members
2.	Declarations of Interest Members are asked to declare any interest and the nature of that interest which they may have in any of the items under consideration at this meeting.
3.	Minutes (Pages 5 - 10) To confirm the Minutes of the meeting of the Committee held on 16 th November 2022
4.	Chair's Announcements To receive communications from the Chair.
5.	Urgent Business The Chair to advise whether they have agreed to any items of urgent business being admitted to the agenda.
6.	Regulation of Investigatory Powers Act 2000 (RIPA) (Pages 11 - 38)
7.	Pension Fund Annual Report and Statement of Accounts 2021-22 (Pages 39 - 164)
8.	Internal Audit Update (Pages 165 - 168)
9.	External Audit Progress report (Grant Thornton) Verbal update
10.	Annual Governance Statement 2021-22 (Pages 169 - 230)

11.	<p>External Audit Progress report (EY) Verbal Update</p>
12.	<p>Budget setting update Verbal Update</p>
13.	<p>Work programme (Pages 231 - 234)</p>
14.	<p>Exclusion of the Press and Public</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>
15.	<p>Exempt Appendices to Internal Audit Update report</p>
16.	<p>Internal audit reports - Paper 1</p>
17.	<p>Internal audit reports - Paper 2</p>

Catherine Whitehead
Proper Officer
17 January 2023

Audit and Governance Committee Members:

Councillor Cecile Irving-Swift (Chair)

Councillor Charles Manners (Vice-Chair)

Councillor Jamal Alwahabi

Councillor John Shephard

Councillor Rosie Humphreys

Councillor Stephen Clarke

Councillor Jake Roberts

Councillor Danielle Stone

Councillor Alan Chantler

Information about this Agenda

Apologies for Absence

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

Declarations of Interest

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

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

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

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Queries Regarding this Agenda

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

Email: democraticservices@westnorthants.gov.uk

Or by writing to:

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One Angel Square
Angel Street
Northampton
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Audit and Governance Committee

Minutes of a meeting of the Audit and Governance Committee held at The Jeffrey Room, The Guildhall, Northampton on Wednesday 16 November 2022 at 6.00 pm.

Present Councillor Cecile Irving-Swift (Chair)
 Councillor Charles Manners (Vice-Chair)
 Councillor Jamal Alwahabi
 Councillor John Shephard
 Councillor Rosie Humphreys
 Councillor Stephen Clarke
 Councillor Danielle Stone
 Councillor Alan Chantler

Substitute
 Members: Councillor Mark Hughes

Also
 Present: Ciaran McLaughlin, GT
 Janet Dawson, EY

Apologies
 for
 Absence: Councillor Jake Roberts

Officers Martin Henry, Executive Director - Finance (Section 151 Officer)
 Audra Statham, Assistant Director - Finance (Accountancy)
 Jen Morris, Head of Audit and Risk Management
 Jo Bonham, Risk and Internal Controls Manager
 Scott Peasland, Audit Manager
 Maisie McInnes, Democratic Services Officer

85. Apologies

Councillor Jake Roberts

86. Declarations of Interest

There were none.

87. Minutes

The minutes of the previous meeting were approved.

88. Chair's Announcements

The Chair welcomed everyone to the meeting and shared with members she would circulate the training slides outside of the meeting. The Chair explained that the Chair and Head of Audit and Risk Management had had a meeting with Cabinet members and members of the opposition outside of the meeting for their view of audit and as requested the Head of Audit and Risk Management would brief members on the revised risk register later in the meeting.

89. Urgent Business

There were no items of urgent business.

90. Internal Audit - Home to School Transport Limited Assurance Report

The Chair explained the Internal Audit on Home to School Transport agenda item would be first on the agenda to allow the Cabinet Member for Environment, Highways, Transport and Waste Services and Assistant Director for Highways and Transport to present first as they had other commitments.

The Assistant Director Highways and Transport then delivered the presentation on the Home to School Transport Audit Report.

The Chair thanked the Assistant Director Highways and Transport for his succinct presentation and invited members to discuss the presentation and ask questions. Members requested for the presentation slides to be circulated outside of the meeting. Members expressed concern regarding safeguarding issues, financing and resourcing the service area. Members posed a question regarding whether the service could be delivered in-house, and the Assistant Director Highways and Transport responded that the Council were continually reviewing the service but had no plans to deliver in-house at present.

Members expressed concern at the number of complaints raised and the failure of the service. The Assistant Director Highways and Transport responded that this had been identified and a closer relationship with licensing and taxi drivers would be managed going forward. The Executive Director of Finance reassured members that the Council investigated the issue immediately and conducted an internal audit to strengthen the area and get an action plan in place.

Members questioned the number of contracts and asked if this was a comparable figure. The Assistant Director Highways and Transport responded that it was comparable with other councils. Members asked the Head of Audit and Risk Management for her view on how the report process was. The Head of Audit and Risk Management responded that she had received a positive response from the Assistant Director of Highways and Transport and the team, and it was critical with a limited assurance team that audit could work with the service to meet actions that had arisen from the internal audit and understand issues. She commended the team for their continued efforts and assured members that this was satisfying from an audit perspective, and a reaudit would take place within 12 months.

The Chair thanked the Cabinet Member for Environment, Highways, Transport and Waste Services and Assistant Director for Highways and Transport for attending the

Audit and Governance committee. She added that it was clear progress was being made and looked forward to seeing this recognised in the reaudit.

91. **Internal Audit Update**

At the Chair's invitation, the Head of Audit and Risk Management presented the internal audit update and explained excellent progress had been made and there were a few outstanding audits, but these would be finalised quickly, and audit would be moving onto the 22/23 accounts.

The Head of Audit and Risk Management highlighted the progress table in Appendix 1 which demonstrated the status of the audits and assurance. She explained it was not unusual in a period of local government reorganisation and change for there to be an increase in limited assurance reports, and assured members that all limited assurance areas will be re-assessed within a maximum of 12 months. In terms of the grant verification work, the Risk and Internal Controls Manager maintained a grant register to manage how grants were spent.

The Head of Audit and Risk Management shared that there was a new member of the audit team starting in December and from then the team would be fully resourced and the team would be able to work on their reporting methods for audit, such as using a pyramid of knowledge to display key information.

Members asked if audit had to obtain permission and IT access to undertake investigations. The Head of Audit and Risk Management confirmed that IT access was sought, and audit had the independence to undertake investigations in any area they deemed necessary. The Executive Director of Finance added that internal audit had separate meetings with the chair twice a year, and audit had full access to conduct any work required.

The Chair thanked the Head of Audit and Risk Management for the update and assurance that things were moving in the right direction and expressed that she also remained independent as the chair of the Audit and Governance committee.

RESOLVED: That the Audit and Governance committee noted the progress to date.

92. **External Audit Progress report - Grant Thornton**

At the Chair's invitation, Ciaran McLaughlin from Grant Thornton (GT) presented a verbal update to the committee and explained that GT were planning audit work as well as looking at discrete areas alongside the work programme such as the HRA disaggregation. He explained that progress had been made with the IT audit and they were due to complete this month and an audit plan would be brought to the next meeting. The Pensions audit was almost complete and the value for money audit was underway and was due to be completed in November.

The Chair thanked Ciaran for the update and explained there would be a meeting in January with internal audit.

RESOLVED: That the committee noted the verbal update from Grant Thornton.

93. **External Audit Progress report - EY**

At the Chair's invitation, Janet from Ernst and Young (EY) presented the verbal External Audit progress update and explained that they had hoped to close the audit but were still awaiting information for a few audit areas. There were several areas that were not yet complete such as the group procedures NCC, Covid Grant Income and the Valuation of OAS.

The Assistant Director of Finance (Accountancy) added that there were a few subsidiary organisations such as the Children's Trust that the Council worked with that were also required to provide information, and WNC always responded in a timely manner. With the valuations there were a lot of queries and interaction with valuers, but the teams were working above and beyond to complete.

The Chair was pleased to hear the valuation of OAS had been done and thanked EY for the update and hoped to sign off the accounts by January.

RESOLVED: That the Audit and Governance Committee noted the External Audit progress update.

94. **Update on Budget setting**

The Executive Director of Finance provided a brief update on budget setting and explained that the budget setting process had been started earlier this year, and a star chamber process had taken place looking at the saving efficiencies of the various service areas. With the cost-of-living crisis and economic uncertainty, it was important to start the budget in advance, and the autumn statement would be released shortly which would give a greater indication on the public sector outlook. A budget monitoring report would be taken to cabinet, and budget clinics had also been organised to scrutinise the budget at high level.

RESOLVED: That the Audit and Governance committee noted the update on budget setting.

95. **Strategic Risk Register**

The Head of Audit and Risk Management presented the report and explained that the risk register update contained two areas, the current risk register and an update on the process. Since the last meeting there was a static position as the risk hadn't changed.

The Head of Audit and Risk Management outlined the new process for reporting on risk and explained that audit would monitor a list of known risks that the council managed over time but would report on the emerging risks and organisational risks. Engagement would be improved by handing known risks over to management to monitor rather than regular reporting to Audit and Governance committee. Instead, the committee would discuss emerging risks and areas in the council which needed more support, i.e., those affected by the cost-of-living crisis.

The Chair and the Head of Audit and Risk Management had a meeting and open conversation with cabinet members and members of the opposition to discuss issues arising in the council. Members spoke openly with the Head of Audit and Risk Management about their concerns regarding issues like culture and communication, financial pressures, partnerships and contracts and these concerns were not reflected in the current risk register.

The Head of Audit and Risk Management concluded that the new register would be considering external factors and understand the impact on the council, such as macro-economics with the war in Ukraine, supply chain issues and climate change with the increased risk of flooding.

Members discussed the report. The Chair thanked the leader and members who attended the meeting with herself and the Head of Audit and Risk Management for the open discussion to help inform the audit team and keep the committee relevant and deepen understanding with how the council mitigates and manages risk.

RESOLVED: That the Audit and Governance committee:

- **Considered the Strategic Risk Register (Update summary provided at Appendix 1)**
- **Discussed the effectiveness of the current risk management process and potential process changes.**

96. **Work Programme**

At the Chair's invitation, the Executive Director Finance explained that for information the meeting with internal audit would be added for the 4 January 2023 on the work programme.

The Chair thanked the team for their hard work and closed the meeting

The meeting closed at 8.00 pm

Chair: _____

Date: _____

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WEST NORTHAMPTONSHIRE COUNCIL AUDIT AND GOVERNANCE COMMITTEE

25th JANUARY 2023

Report Title	Regulation of Investigatory Powers Act 2000 (RIPA)
Report Author	Sarah Hall, Deputy Director of Law and Governance (Sarah.Hall@westnorthants.gov.uk)

Contributors/Checkers/Approvers

West MO	Catherine Whitehead	16 th January 2023
Chief Finance Officer (S.151 Officer)	Martin Henry	17 th January 2023
Other Director/SME	Sarah Reed	Emailed 17 th January 2023
Communications Lead/Head of Communications	TBC	Emailed 17 th January 2023

List of Appendices

Appendix A: Cabinet Report

Appendix B: Regulation of Investigatory Powers Act 2000 (RIPA) Policy

1. Purpose of Report

- 1.1 This report provides an overview to the Audit and Governance Committee of the Council's application of RIPA, the role and responsibilities of the Committee and others in the management of RIPA and of training undertaken and scheduled following the last inspection.

2. Executive Summary

- 2.1 The Regulation of Investigatory Powers Act 2000 (RIPA) governs how public bodies use surveillance methods. The Council may use covert surveillance for the purpose of preventing or detecting crime or preventing disorder.
- 2.2 In May 2022 the Council underwent an inspection from the IPCO (Investigatory Powers Commissioners Office). The results of that inspection were reported to Cabinet (Appendix A) and Cabinet designated the Audit and Governance Committee as the responsible statutory committee to oversee the operation of RIPA policies.
- 2.3 This report sets out a summary of RIPA and provides details of the key roles and responsibilities involved in the oversight of RIPA including:
- Audit and Governance Committee;
 - Senior Responsible Officer; and
 - Authorising Officers
- together with details of training undertaken and proposed.

3 Recommendations

- 3.1 It is recommended that the Audit and Governance Committee:
- a) Endorse the roles and responsibilities of the various Officers and of the Committee.
 - b) Endorse the training scheduled and undertaken.
 - c) Approves receiving an annual report to ensure appropriate oversight of the Council's use of the RIPA provisions.

4. Reason for Recommendations

- 4.1 Reasons for Recommendations:
- To ensure that Committee Members have a good understanding of the various roles and responsibilities that are required to facilitate effective oversight of the RIPA regime in order to ensure that any covert surveillance is carried out in compliance with the Council's RIPA policy and the law.
 - As part of the Committee's oversight of the Council's use of RIPA to monitor and ensure that appropriate and regular training is undertaken and that Officers are updated on any changes to the law.
 - To ensure that the Committee receives an annual report to facilitate effective oversight of the Council's use of RIPA.

5. Report Background

Summary of RIPA Provisions

- 2.4 The origin of RIPA lies in the Human Rights Act 1998 which gave effect in UK law to the rights set out in the European Convention on Human Rights (ECHR). This places restrictions on the extent to which public bodies may interfere with a person's right to respect for his or her home and private life and correspondence during the course of an investigation into suspected criminal activities.
- 2.5 RIPA sets out the authorisation requirements for all covert surveillance carried out by public authorities where that surveillance is likely to result in the obtaining of private information about a person. It is mandatory for the Council to have a policy which applies to all surveillance carried out by the Council.
- 2.6 Surveillance, for the purposes of RIPA, includes monitoring, observing or listening to persons, their movements, conversations or other activities and communications. It may be conducted with or without the assistance of a surveillance device and includes the recording of any information obtained. It may also be obtained by using a covert human intelligence source (CHIS) to acquire information covertly where it is appropriate and legal to do so. A CHIS is an individual who covertly uses a relationship to obtain information or to provide access to any information to another person.
- 2.7 Surveillance is covert if, and only if, it is carried out in a manner calculated to ensure that any persons who are subject to the surveillance are unaware that it is or may be taking place. The provisions of RIPA ensure (in summary) that any such interferences are in accordance with the law and are necessary and proportionate (i.e. the seriousness of the suspected crime or disorder must outweigh any possible interferences with the personal privacy of the persons being investigated and of persons who associate with them). Part II of RIPA provides a lawful mechanism for public bodies such as the Council to use covert surveillance and covert human intelligence sources compatibly with Article 8 of the ECHR and the Data Protection Act 2018, where it is for the purpose of the detection or prevention of crime.
- 2.8 The Investigatory Powers Commissioner (IPCO), Sir Brian Leveson, is responsible for overseeing the application of RIPA and the use of investigatory powers by public authorities. The Commissioner has a statutory obligation to inspect the use of investigatory powers as part of his oversight. Inspections are carried out approximately once every three years. The Council is also required to submit an annual return to the IPCO detailing the Council's use of RIPA.
- 2.9 The Employment Practices Code provides a framework under which surveillance activity of employees can be authorised and conducted compatibly with Article 8 and the Data Protection Act 2018.
- 2.10 Only Directed Surveillance may be authorised under the 2000 Act for the use of local authorities. Directed surveillance is covert surveillance that is not intrusive but is carried out in relation to a specific investigation or operation in such a manner as is likely to result in the obtaining of private information about any person (other than by way of

immediate response to events or circumstances such that it is not reasonably practicable to seek authorisation under the 2000 Act).

- 2.11 Intrusive surveillance is covert surveillance that is carried out in relation to anything taking place on residential premises or in any private vehicle (and that involves the presence of an individual on the premises or in the vehicle or is carried out by a means of a surveillance device). Local authorities cannot authorise intrusive surveillance.
- 2.12 The grounds on which local authorities can rely to authorise directed surveillance are narrower than those available to the police or security services. In most cases the crime for directed surveillance must be an offence for which there is a minimum prison sentence of 6 months, and the surveillance must be authorised by a magistrate.
- 2.13 The Protection of Freedoms Act 2012 amended S.28 of RIPA and brought in the requirement for a magistrate to approve a RIPA authorisation when the crime threshold was met (criminal offences which attract a maximum custodial sentence of six months or more or criminal offences relating to the underage sale of alcohol or tobacco.).
- 2.14 The Investigatory Powers Act 2016 provided powers to local authorities to access communications data to carry out their statutory functions as a Competent Authority under the Data Protection Act 2018.

Roles and Responsibilities

- 2.15 The Council's Senior Information Responsible Officer (SIRO) is the Director of Law and Governance. The SIRO is responsible for the implementing of the RIPA policy and for ensuring that relevant staff are adequately trained. Relevant staff includes Executive Directors (Authorising Officers) and also employees of the Council who may use surveillance.
- 2.16 The Council's Executive Directors are designated Authorising Officers. These Officers review the applications that are completed by operational officers who are requesting authorisation to undertake covert surveillance.
- 2.17 The Magistrates Court are responsible for considering the applications approved by the Authorising Officers and determining the request to undertake surveillance.
- 2.18 The Council's Audit and Governance Committee have the following responsibilities:
 - Consider and approve relevant changes to policy and ne policies;
 - Receive reports on training; and
 - Receive inspection reports.

RIPA Activity in 2022

- 2.19 During 2022 no covert surveillance regulated by RIPA was undertake by Council Officers in the investigation of offences. A survey was circulated to all Officers involved in

undertaking investigations and a nil response was returned indicating that there had been no use of the RIPA provisions.

- 2.20 The Council's centrally held Record / Log recording any RIPA activity undertaken has been updated to record the position.

RIPA Inspection

- 2.21 In May 2022 the Council underwent an inspection from IPCO (Investigatory Powers Commissioners Office). The results of that inspection were reported to the Chief Executive and noted that:

Your Council was recently the subject of a remote inspection by one of my Inspectors, Mr Paul Gration. 'While no authorised activity has taken place since the new authority was formed, it is good to see that a clear process is in place to manage such activity should authorisation be sought. Mr Gration has had sight of the organisation's surveillance policy and has shared a number of observations'

- 2.22 Following the inspection a report was considered by Cabinet on 13 September 2022 (attached Appendix A) detailing the findings of the inspection and recommending various changes to the policy. These changes have been implemented and approved by Cabinet.

Training

- 2.23 In the first quarter of 2022/23 11 Trading Standards Officers received RIPA Refresher Training delivered by a third party training provider.
- 2.24 Since the Cabinet report in September 2022, three further training events have been held. All of the events were half day events, two of which were delivered face to face and the third virtually. They were all delivered by an external training provider to provide a comprehensive understanding of the RIPA provisions and to allow operational officers to ask questions. 63 Officers, predominantly from Regulatory Services, attended the events.
- 2.25 A further officer training event is scheduled to be held on the 13 February 2023 in order to ensure that all officers have had the opportunity to attend a training session. A further 16 officers are scheduled to attend this training session. Authorising Officers are also to receive face to face training by the training provider on the 13 February 2023 to ensure that they understand their role and how to consider applications to undertake covert surveillance / approve the use of a CHIS.
- 2.26 Going forward annual training will be delivered to all operational officers undertaking or who may potentially undertake covert surveillance. Authorising Officers will also receive annual refresher training.

Action Plan

2.27 The Council's Legal Team is developing an Action Plan to further develop resources and the support available to officers to assist them in their potential use of RIPA. A list of the current actions to be undertaken by the Legal Team is set out below:

- I. Create a RIPA intranet page to include:
 - Links to the RIPA Policy, Home Office Forms and Home Office Codes of Practice.
 - Access to a non-RIPA form together with guidance and examples of when it would be used.
 - List of all Authorising Officers and their contact details.
 - List of key points of contact within legal and their roles, including the general e-mail address for seeking legal advice/sending instructions to and where to send applications and cancellations for addition to the Registers.
- II. Send out a further survey to understand where areas may wish to use the RIPA provisions to further understand:
 - Anticipated usage of directed surveillance, non-RIPA surveillance and surveillance with the use of a CHIS.
 - Areas for training and development.
 - Further details of the types of surveillance being undertaken for example locating physical cameras or the use of social media usage.
- III. Review and update Policies and guidance, loading onto the RIPA Intranet page, including:
 - Primary RIPA Policy.
 - Social Media policy.
- IV. Promote and communicate widely across the Council the support available to officers including:
 - Intranet page.
 - Policies and guidance.
 - Encourage engagement with legal officers at an early stage in investigations to ensure lawfulness of surveillance.
 - Training.
- V. Continue to update and maintain the Central Record/Log to include the use of the non-RIPA form and the management and review of products of surveillance.
- VI. Plan and organise annual training for operational officers and Authorising Officers.

3 Issues and Choices

3.1 It is mandatory for the Council to have a RIPA Surveillance Policy which applies to all surveillance carried out by the Council, including external surveillance covered by RIPA authorisations, communication data acquisitions covered by the Investigatory Powers Act 2016 (IPA) and internal surveillance covered by the Employment Practice Codes.

- 3.2 The Policy must be supported by guidance and material to assist operational officers in understanding how and when RIPA applies to ensure compliance with the law.
- 3.3 The Council has designated the Audit and Governance Committee as the responsible committee to oversee the operation of RIPA policies. The Senior Responsible Officer will report annually to the Committee to provide assurance as to the Council's approach to and implementation of the RIPA regime.

7 Implications (including financial implications)

7.1 Resources and Financial

- 7.1.1 There will be a small cost attached to provision of training for the nominated staff. Costs will be met from within existing operational budgets.

7.2 Legal

- 7.2.1 The RIPA requires the Council to have processes for authorising, recording and reviewing any covert surveillance that it carries out that it is regulated by the Act. The processes must comply with the Act, relevant regulations and any statutory codes of practice. In accordance with the statutory code of practice a local authority must have a policy covering its use of covert surveillance. Further, the Council must report its RIPA activity to the Investigatory Powers Commissioners Office on an annual basis and provide an update on its activity to members.

7.3 Risk

- 7.3.1 Failure to comply with the policy and procedural guidance could result in evidence being inadmissible in court proceedings and potential claims that an individual's right to privacy has been breached. However, the Council will have a clear policy in place and officers will have received the necessary training to ensure compliance. Information on the policy and procedures will be shared with relevant officers to ensure that they understand the requirements.

7.4 Consultation

- 7.4.1 Consultation is not required in relation to the RIPA Surveillance Policy.

7.5 Consideration by Overview and Scrutiny

- 7.5.1 RIPA is a statutory matter and has therefore not been referred to overview and scrutiny.

7.6 Climate Impact

- 7.6.1 This report does not identify any adverse impacts on the Council's objectives relating to climate change.

7.7 Community Impact

7.7.1 The Surveillance Policy contains safeguards to protect individuals and businesses from unfair or inappropriate surveillance, minimising as far as possible any adverse impact on the community. Proportionate enforcement activity will also have a positive impact upon local communities.

8 Background Papers

9.1 Copies of the training slides are available to Members upon request.



WEST NORTHAMPTONSHIRE COUNCIL CABINET

13 SEPTEMBER 2022

CABINET MEMBER RESPONSIBLE FOR HR AND CORPORATE SERVICES: COUNCILLOR MIKE HALLAM

Report Title	Regulation of Investigatory Powers Act 2000 (RIPA)
Report Author	Catherine Whitehead, Director of Legal and Democratic Services (catherine.whitehead@westnorthants.gov.uk)

Contributors/Checkers/Approvers

Monitoring Officer	Catherine Whitehead	07/09/2022
Chief Finance Officer (S.151 Officer)	Martin Henry	09/09/2022
Communications Lead/Head of Communications	Becky Hutson	07/09/2022

List of Appendices

Appendix A: RIPA Surveillance Policy

1. Purpose of Report

1.1 The report asks Cabinet to note the RIPA Surveillance Policy (Appendix A) and recommends that Cabinet designate the Council’s Audit and Governance Committee as the responsible statutory committee to oversee the operation of RIPA policies.

2. Executive Summary

2.1 It is mandatory for the Council to have a policy which applies to all surveillance carried out by the Council, including external surveillance covered by RIPA authorisations, communication data acquisitions covered by the Investigatory Powers Act 2016 (IPA) and

internal surveillance covered by the Employment Practice Codes. The Policy at Appendix A provides a framework for the carrying out of covert surveillance of the public and staff by the Council. Some amendments to the policy were made following the recent inspection.

2.2 In May this year the Council underwent an inspection from IPCO (Investigatory Powers Commissioners Office). The results of that inspection were reported to the Chief Executive and noted that:

2.3

Your Council was recently the subject of a remote inspection by one of my Inspectors, Mr Paul Gratton.

‘While no authorised activity has taken place since the new authority was formed, it is good to see that a clear process is in place to manage such activity should authorisation be sought. Mr Gratton has had sight of the organisation’s surveillance policy and has shared a number of observations’.

2.4 The Council’s Senior Information Responsible Officer (SIRO) is the Director of Law and Governance. The SIRO is responsible for the implementing of this policy and for ensuring that relevant staff are adequately trained. Relevant staff includes Executive Directors (Authorised Officers) and also employees of the Council who may use surveillance.

2.5 Pursuant to this responsibility, an external training provider has been identified and engaged to ensure relevant staff will receive in-depth training. This report also recommends that Cabinet designates the Council’s Audit and Governance Committee as the responsible statutory committee to oversee the operation of RIPA policies.

3 Recommendations

3.1 It is recommended that the Cabinet:

- a) Note the revised RIPA Surveillance Policy set out at Appendix A
- b) Agree to designate the Council’s Audit and Governance Committee as the responsible statutory committee for overseeing the operation of RIPA surveillance policies.
- c) Notes that an external training provider has been identified to provide in-depth training to nominated staff (i.e. Authorised Officers and employees of the Council who may use surveillance).

4. Reason for Recommendations

4.1 Reasons for Recommendations:

- The Council must have a policy in place to ensure that such directed surveillance is carried out in compliance with the law and does not breach the human rights of any of the surveillance subjects, and that surveillance in or around the workplace is also carried out in compliance with the law. The updated RIPA Investigatory Policy is set out at Appendix A.

- The Council must also designate a committee as the responsible statutory committee for overseeing the operation of RIPA surveillance policies.

5. Report Background

- 5.1 The Human Rights Act 1998 gave effect in UK law to the rights set out in the European Convention on Human Rights (ECHR). Amongst the qualified rights is a person's right to respect for their private and family life, home and correspondence, as provided for by Article 8 of the ECHR. It is Article 8 that is most likely to be engaged when public authorities seek to obtain private information about a person by means of surveillance.
- 5.2 Part II of the RIPA provides a lawful mechanism for public bodies such as the Council to use covert surveillance and covert human intelligence sources compatibly with Article 8 of the ECHR and the Data Protection Act 2018, where it is for the purpose of the detection or prevention of crime. Any use of those powers must be proportionate and necessary both in use and scope.
- 5.3 Part II of the RIPA also provides a statutory framework under which covert surveillance activity undertaken by the Council can be authorised and conducted. Surveillance, for the purpose of the RIPA, includes monitoring, observing, or listening to persons, their movements, conversations or other activities and communications. It may be conducted with or without the assistance of a surveillance device and includes the recording of any information obtained.
- 5.4 The Employment Practices Code provides a framework under which surveillance activity of employees can be authorised and conducted compatibly with Article 8 and the Data Protection Act 2018.
- 5.5 Surveillance is covert if, and only if, it is carried out in a manner calculated to ensure that any persons who are subject to the surveillance are unaware that it is or may be taking place.
- 5.6 Specifically, covert surveillance may be authorised under the 2000 Act if it is either intrusive or directed:
- Intrusive surveillance is covert surveillance that is carried out in relation to anything taking place on residential premises or in any private vehicle (and that involves the presence of an individual on the premises or in the vehicle or is carried out by a means of a surveillance device) (NB local authorities cannot authorise intrusive surveillance).
 - Directed surveillance is covert surveillance that is not intrusive but is carried out in relation to a specific investigation or operation in such a manner as is likely to result in the obtaining of private information about any person (other than by way of an immediate response to events or circumstances such that it is not reasonably practicable to seek authorisation under the 2000 Act).
- 5.7 The grounds on which local authorities can rely to authorise directed surveillance are narrower than those available to the police or security services. A local authority can only

authorise directed surveillance of a member of the public if the designated person believes such surveillance is necessary and proportionate for the purpose of preventing or detecting crime.

- 5.8 In most cases the crime for directed surveillance must be an offence for which there is a minimum prison sentence of 6 months, and the surveillance must be authorised by a magistrate.
- 5.9 The Protection of Freedoms Act 2012 amended s28 of RIPA and brought in the requirement for a magistrate to approve a RIPA authorisation when the crime threshold was met (criminal offences which attract a maximum custodial sentence of six months or more or criminal offences relating to the underage sale of alcohol or tobacco.).
- 5.10 The Investigatory Powers Act 2016 provided powers to local authorities to access communications data to carry out their statutory functions as a Competent Authority under the Data Protection Act 2018.

6. Issues and Choices

- 6.1 It is mandatory for the Council to have a RIPA Surveillance Policy which applies to all surveillance carried out by the Council, including external surveillance covered by RIPA authorisations, communication data acquisitions covered by the Investigatory Powers Act 2016 (IPA) and internal surveillance covered by the Employment Practice Codes.
- 6.2 The revisions to the RIPA Surveillance Policy attached at Appendix A relate to the following issues:
 - 6.2.1 The introduction to the policy was felt by the Inspector to require further clarity and should outline the scope of surveillance which can be carried out by the council and make it explicitly clear that local authorities cannot carry out intrusive surveillance, and this change has been incorporated.
 - 6.2.2 The section entitled “Applicability to investigations carried out by or on behalf of West Northamptonshire Council” outlines some examples of the activity likely to be carried out by the Council. The deployment of noise reduction should not imply intrusive surveillance and therefore this section has been amended to be explicit on this point.
 - 6.2.3 Authorisation periods in the policy should include those for CHIS (Covert Human Intelligence Source), which have now been added.
 - 6.2.4 The section entitled ‘social media’ has been further strengthened in line with the Inspector’s comments.
- 6.3 The Council must also designate a committee as the responsible committee to oversee the operation of RIPA policies. It is suggested that the Audit and Governance Committee be selected as its terms of reference most closely align with this duty and this will be included within the policy.

7 Implications (including financial implications)

7.1 Resources and Financial

- 7.1.1 There will be a small cost attached to provision of training for the nominated staff. Costs will be met from within existing operational budgets.

8.1 Legal

- 7.1.2 The RIPA requires the Council to have processes for authorising, recording and reviewing any covert surveillance that it carries out that it is regulated by the Act. The processes must comply with the Act, relevant regulations and any statutory codes of practice. In accordance with the statutory code of practice a local authority must have a policy covering its use of covert surveillance. Further, the Council must report its RIPA activity to the Investigatory Powers Commissioners Office on an annual basis and provide an update on its activity to members.

8.3 Risk

- 7.1.3 Failure to comply with the policy and procedural guidance could result in evidence being inadmissible in court proceedings and potential claims that an individual's right to privacy has been breached. However, the Council will have a clear policy in place and officers will have received the necessary training to ensure compliance. Information on the policy and procedures will be shared with relevant officers to ensure that they understand the requirements.

8.4 Consultation

- 8.4.1 Consultation is not required in relation to the RIPA Surveillance Policy. The Audit and Governance Committee will be charged with monitoring implementation of the policy.

8.5 Consideration by Overview and Scrutiny

- 8.5.1 RIPA is a statutory matter and has therefore not been referred to overview and scrutiny. Future oversight of the policy will be undertaken by the Audit and Governance Committee.

8.6 Climate Impact

- 8.6.1 This report does not identify any adverse impacts on the Council's objectives relating to climate change.

8.7 Community Impact

- 8.7.1 The Surveillance Policy contains safeguards to protect individuals and businesses from unfair or inappropriate surveillance, minimising as far as possible any adverse impact on the community. Proportionate enforcement activity will also have a positive impact upon local communities.

9 Background Papers

9.1 None.

Surveillance Policy

Introduction

1.1 The Human Rights Act 1998 gave effect in UK law to the rights set out in the European Convention on Human Rights (ECHR). Amongst the qualified rights is a person's right to respect for their private and family life, home and correspondence, as provided for by Article 8 of the ECHR. It is Article 8 that is most likely to be engaged when public authorities seek to obtain private information about a person by means of surveillance.

1.2 Part II of the Regulation of Investigatory Powers 2000 Act provides a statutory framework under which covert surveillance activity undertaken by the Council can be authorised and conducted compatibly with Article 8 and the Data Protection Act 2018.

1.3 Surveillance, for the purpose of the Regulation of Investigatory Powers Act 2000, includes monitoring, observing or listening to persons, their movements, conversations or other activities and communications. It may be conducted with or without the assistance of a surveillance device and includes the recording of any information obtained.

1.4 The Employment Practices Code provides a framework under which surveillance activity of employees can be authorised and conducted compatibly with Article 8 and the Data Protection Act 2018.

1.5 Surveillance is covert if, and only if, it is carried out in a manner calculated to ensure that any persons who are subject to the surveillance are unaware that it is or may be taking place.

1.6 Specifically, covert surveillance may be authorised under the 2000 Act if it is either intrusive or directed:

- Intrusive surveillance is covert surveillance that is carried out in relation to anything taking place on residential premises or in any private vehicle (and that involves the presence of an individual on the premises or in the vehicle or is carried out by a means of a surveillance device);
- Directed surveillance is covert surveillance that is not intrusive but is carried out in relation to a specific investigation or operation in such a manner as is likely to result in the obtaining of private information about any person (other than by way of an immediate response to events or circumstances such that it is not reasonably practicable to seek authorisation under the 2000 Act).

1.7 The grounds on which local authorities can rely to authorise directed surveillance are narrower than those available to the police or security services. A local authority can only authorise directed surveillance of a member of the public if the designated person believes such surveillance is necessary and proportionate for the purpose of preventing or detecting crime.

1.8 In most cases the crime for directed surveillance must be an offence for which there is a minimum prison sentence of 6 months, and the surveillance must be authorised by a magistrate.

1.9 The Protection of Freedoms Act 2012 amended s28 of RIPA and brought in the requirement for a magistrate to approve a RIPA authorisation when the crime threshold was met (criminal offences which attract a maximum custodial sentence of six months or more or criminal offences relating to the underage sale of alcohol or tobacco.).

1.10 The Investigatory Powers Act 2016 (IPA 2016) provided powers to local authorities to access communications data in order to carry out their statutory functions as a Competent Authority under the Data Protection Act 2018.

1.11 The Council must have a policy in place to ensure that such directed surveillance is carried out in compliance with the law and does not breach the human rights of any of the surveillance subjects, and that surveillance in or around the workplace is also carried out in compliance with the law.

Scope

2.1 The policy applies to all surveillance carried out by The Council, including external surveillance covered by RIPA authorisations, communication data acquisitions covered by the IPA 2016 and internal surveillance covered by the Employment Practices Code.

Aim

3.1 To ensure all legal obligations on the Council are met, in particular, the Human Rights Act 1998.

3.2 To provide a framework for the carrying out of covert surveillance of the public and staff by the Council.

Applicability to investigations carried out by or on behalf of West Northamptonshire Council

This policy applies to covert surveillance activities carried out by or on behalf of the Council and includes, but is not limited to, the following:



- the taking of photographs of someone in a public place or;
- the recording by video cameras of someone in a public place;
- the use of listening devices or photographic equipment in respect of activities in a house, provided the equipment is kept outside the house and the equipment gives information of less quality and detail than devices which could have been placed in the house itself
- the taking of photographs of staff in the workplace or;
- the recording by video cameras of staff in the workplace;
- acquisition of communications data e.g. telephone call logs, subscriber details.

Review & Maintenance

5.1 This policy is agreed and distributed for use across the Council by the Director of Legal and Democratic Services and Monitoring Officer on behalf of the Executive Leadership Team. It will be reviewed every two years by the Director of Legal and Democratic Services and Monitoring Officer who will make any recommendations for change to the Executive Leadership Team for consideration and distribution.

Legal Requirements

6.1 The Council is obliged to comply with all relevant UK and EU information legislation. This requirement to comply is devolved to Elected Members, staff, contractors or others permitted to carry out surveillance on behalf of the Council, who may be held personally accountable for any breaches of Article 8 of the Human Rights Act 1998 (Right to Privacy).

6.2 The Council shall comply with the following legislation and other legislation as appropriate:

- The Data Protection Act (2018) and
- The General Data Protection Regulation (2016)
- Human Rights Act (1998)
- Regulation of Investigatory Powers Act 2000
- Protection of Freedoms Act 2012
- The Telecommunications (Lawful Business Practice) (Interception of Communications) Regulations 2000
- The Investigatory Powers Act 2016

6.3 The acquisition of a RIPA authorisation will equip the Council with the legal protection (The RIPA 'Shield') against accusations of a breach of Article 8.



Policy Statement

7.1 West Northamptonshire Council supports the objectives of the Human Rights Act 1998, the Regulation of Investigatory Powers Act 2000, the Investigatory Powers Act 2016 and the Protection of Freedoms Act 2012. This policy aims to assist staff with meeting their statutory and other obligations which covers the issues of Information Governance.

Objectives

8.1 The policy is intended to provide a framework for carrying out surveillance activities in compliance with the law by:

- Creating and maintaining within the organisation an awareness of the Right to Privacy (Article 8, Human Rights Act 1998) as an integral part of the day-to-day business;
- Ensuring that all staff are aware of and fully comply with the relevant legislation as described in policies and fully understand their own responsibilities when undertaking surveillance activities;
- Ensuring that all staff acquire the appropriate authorisations when undertaking surveillance activities;
- Storing, archiving and disposing of sensitive and confidential surveillance information in an appropriate manner.

8.2 The Council will achieve this by ensuring that:

- Regulatory and legislative requirements are met;
- RIPA and surveillance training is provided;
- All breaches of privacy, actual or suspected, are reported, investigated and any resulting necessary actions taken;
- Standards, guidance and procedures are produced to support this policy.

Responsibilities

9.1 The Director of Legal and Democratic Services and Monitoring Officer is the Senior Information Risk Owner and has overall responsibility for Information Governance within the Council.

9.2 The Director of Legal and Democratic Services and Monitoring Officer is responsible for:

- Acting as the Council's RIPA Monitoring Officer



- Developing, implementing and maintaining the relevant corporate Information Governance policies, procedures and standards that underpin the effective and efficient surveillance processes;
- Support and advice to staff and managers on Surveillance;
- The production, review and maintenance of Surveillance policies and their communication to the whole Council;
- Provision of professional guidance on all matters relating to Surveillance;
- Oversight management of all privacy breaches and suspected breach investigations;
- Provision of corporate training;
- Provision, via the Intranet, of Surveillance briefing materials and, through ILearn, of on-line training;
- Management and recording of RIPA authorisations;
- Providing returns to national inspectors e.g. Investigatory Powers Commissioner's office (IPCO)
- Liaising with national inspection regimes, IPCO and the CCTV commissioner to organise inspections;
- Production of an annual Information Governance Report.

9.3 The RIPA Authorising Officers will assess and authorise RIPA applications.

9.4 The Senior Officer, who will be a service manager or above, will be made aware of IPA Communications data requests via the National Anti-Fraud Network (NAFN) process.

9.5 The Director of Legal and Democratic Services will authorise all internal intercept requests

9.6 The in-house Legal Services Team will advise and assist in staff investigations.

9.7 All Executive Directors will:

- Implement this policy within their business areas;
- Ensure compliance with it by their staff;
- Sign off applications for surveillance of staff;
- Where appropriate take steps to protect the Health and Safety of investigators and third parties.

Surveillance Principles

10.1 West Northamptonshire Council is committed to a surveillance framework that ensures:

- Requests for Authorisations are assessed to ensure the privacy of the individual is not breached unless it is necessary and proportionate to do so.

- All requests are monitored, and performance indicators made available to demonstrate compliance with the legislation.

The surveillance process is regularly audited to ensure compliance with statutory requirements and that relevant national codes of practice are followed.

Intrusive Surveillance

11.1 Intrusive surveillance is covert surveillance carried out by an individual or a surveillance device in relation to anything taking place on residential premises or in any private vehicle. The Council is not permitted to carry out intrusive surveillance in any circumstances.

Directed Surveillance

12.1 Surveillance is directed surveillance if the following are all true:

- it is covert, but not intrusive surveillance;
- it is conducted for the purposes of a specific investigation or operation;
- it is likely to result in the obtaining of private information about a person (whether or not one specifically identified for the purposes of the investigation or operation);
- it is conducted otherwise than by way of an immediate response to events or circumstances the nature of which is such that it would not be reasonably practicable for an authorisation under Part II of the 2000 Act to be sought.

12.2 The Council will use Directed Surveillance to acquire information covertly where it is appropriate and legal to do so.

12.3 The appropriate Directed Surveillance application form, which will be available on the Council's intranet site, should be completed and submitted to the Authorising Officer.

12.4 Any officer completing the Directed Surveillance RIPA application form must contact Legal Services so that they can be authorised to attend the magistrate's court on behalf of the Council. This authorisation to act on behalf of the Council at the court remains valid as long as the applying officer is employed by the Council.

12.5 The applying officer must submit the signed Directed Surveillance RIPA application, once it is signed by the Authorising Officer, to the local Magistrate for approval.



12.6 At the start of an investigation, council officers applying for a RIPA authorisation must satisfy themselves that what they are investigating is a criminal offence and passes the criminal threshold test.

12.7 If confidential information or matters subject to legal privilege are to be acquired, the Directed Surveillance may only be authorised by the Head of Paid Service or their deputy in their absence.

12.8 The Director of Legal and Democratic Services and Monitoring Officer will ensure there is always a minimum of three (3) trained Authorising Officers at the Council. These will be at Assistant Director level or above, and their names published on the Council's intranet.

12.9 The Director of Legal and Democratic Services and Monitoring Officer will comply with requests from the IPCO in relation to the organisation of inspections of the Council

12.10 Statistical returns for directed surveillance data acquired using RIPA will be submitted to the IPCO by the Director of Legal and Democratic Services and Monitoring Officer upon request.

12.11 A Directed Surveillance RIPA authorisation may also be used if the crime threshold is not met but the offence is a criminal offence under:

- (i) sections 146, 147 or 147A of the Licensing Act 2003; or
- (ii) section 7 of the Children and Young Persons Act 1933

(Underage sales of alcohol and tobacco).

12.12 A RIPA authorisation is not needed when it is not reasonably practicable for an authorisation to be sought for the carrying out of the surveillance in an immediate response to events.

Covert Human Intelligence Sources

13.1 Under the 2000 Act, a person is a CHIS if:

1. a) he establishes or maintains a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within paragraph b) or c);
2. b) he covertly uses such a relationship to obtain information or to provide access to any information to another person; or
3. c) he covertly discloses information obtained by the use of such a relationship or as a consequence of the existence of such a relationship.

13.2 A relationship is established or maintained for a covert purpose if and only if it is conducted in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the purpose.



13.3 The Council may use a covert human intelligence source (CHIS) to acquire information covertly where it is appropriate and legal to do so. A CHIS covertly uses a relationship to obtain information or to provide access to any information to another person.

13.4 The crime threshold does not apply to the authorisation of a CHIS.

13.5 The appropriate CHIS application form, which will be available on the Council's intranet site, should be completed and submitted to the Authorising Officer.

13.6 The applying officer must submit the signed CHIS RIPA application, once it is signed by the Authorising Officer, to the local Magistrate for approval.

13.7 The Council will never authorise the use of a CHIS under the age of 18 without carrying out a special risk assessment in relation to any risk of physical injury or psychological distress to the source that may arise.

13.8 The Council will never authorise the use of a CHIS under the age of 16 to gather evidence against his parents or carers.

13.9 If confidential information or matters subject to legal privilege are to be acquired by the CHIS, or the CHIS is a juvenile or a vulnerable individual, the Directed Surveillance may only be authorised by the Chief Executive (Head of Paid Service).

13.10 Monitoring of Internet and/or social media sites as part of investigations or enforcement activity must be carried out in compliance with the relevant Code of Practice. Refer to our separate Social Media Guidance.

Communications Data

14.1 Communications data is generated, held or obtained in the provision, delivery and maintenance of communications services, those being postal services or telecommunications services. The term 'communications data' embraces the 'who', 'when' and 'where' of a communication but not the content, not what was said or written. It includes the manner in which, and by what method, a person or machine communicates with another person or machine external to the Council.

14.2 Applications can be made for entity data (data that associates or links people, identifies people) or event data (data that identifies or describes events).

14.3 Local Authorities must not apply for access to internet connection records. It is a criminal offence to unlawfully access such internet data and any staff doing so may be subject to disciplinary procedures.

14.4 The crime threshold will apply only to the acquisition of communications data by local authorities for event data and not entity data.



14.5 The Council will appoint a Single Point of Contact (SPoC) known as the Senior Officer, who will be a service manager or above, responsible for the acquisition of external communications data. If the National Anti-Fraud Network (NAFN) SPoC system is not used, a trained and accredited member of Council staff must undertake this role.

14.6 NAFN will submit the request to the Office for Communications Data Authorisations (OCDA) on the Council's behalf if the NAFN service is subscribed to. Any application returned by OCDA for re-work must be completed within 14 days or a new request submitted.

14.7 Any application rejected by OCDA can be appealed within 7 days. Any appeal must be re-submitted via the Senior Officer.

14.8 If the National Anti-Fraud Network (NAFN) SPoC system is not used, the appropriate application form, which will be available on the Council's intranet site, should be completed and submitted to the Senior Officer.

14.9 Statistical returns for communications data acquired using IPA will be submitted to the Investigatory Powers Commissioner by the Director of Legal and Democratic Services and Monitoring Officer upon request.

14.10 The Director of Legal and Democratic Services and Monitoring Officer will comply with requests from the Investigatory Powers Commissioner and the National Anti-Fraud Network (NAFN) in relation to the organisation of inspections of the Council.

14.11 Council staff will refer to the statutory Codes of Practice issued by the government and guidance issued by the Council when applying for communications data.

Reviews, Renewals and Cancellations of RIPA Authorisations

15.1 The applying officer must review the authorisation monthly to decide if the operation needs to continue.

15.2 RIPA authorisations must be cancelled as soon as they are no longer required. Cancellations must be authorised by the Council's Authorising Officer.

15.3 RIPA authorisations are only valid for 3 months. If a renewal is required, it must be applied for prior to the three-month deadline. Renewals must be authorised by the Council's Authorising Officer and the Magistrate.

Reporting Errors in RIPA Authorisations

16.1 All errors in RIPA authorisations must be reported immediately by the applying manager or Authorising Officer to the Director of Legal and Democratic Services and Monitoring Officer

RIPA Requests from Third Parties

Requests from third parties to use Council equipment, facilities or buildings quoting RIPA authorisations must be made in writing, including a copy of the RIPA authorisation (redacted if necessary) and referred to the Director of Legal and Democratic Services and Monitoring Officer or in the case of CCTV, the CCTV Manager.

CCTV

18.1 The Council operates CCTV systems, the use of which is subject to the national CCTV code of practice, as adopted by the Council.

18.2 The Council will keep its CCTV protocol up to date.

18.3 Where CCTV cameras are used covertly as part of an operation to observe a known individual or group, an appropriate authorisation must be applied for.

18.4 Any statistical returns required by the CCTV Commissioner will be supplied to him by the Director of Legal and Democratic Services and Monitoring Officer upon request.

18.5 The Director of Legal and Democratic Services and Monitoring Officer will comply with requests from the CCTV Commissioner in relation to the organisation of inspections of the Council.

Surveillance of Employees and Non-RIPA Surveillance

19.1 All managers must consider the impact on the human rights of the staff member(s) under formal surveillance and complete one of the appropriate forms which can be found on the Council's intranet.

19.2 The Council will follow the ICO's 'Employment Practices Code' to ensure employees' personal information is respected and properly protected under the Data Protection Act 2018.



19.3 The Council may use Surveillance and the acquisition of internal communications data where there are grounds to do so. Procedures must be followed in relation to its staff where it is appropriate and legal to do so to protect the Council against claims of a breach of Article 8. A RIPA authorisation is not available in these circumstances. It is good practice to apply the same process however to address Article 8 considerations.

19.4 For the acquisition of communications data (including but not limited to cryptag logs, email accounts, computer access, printing logs, internet use logs and telephone call logs) and CCTV footage (overt or covert) managers must complete the separate form for the Interception of Data which can be obtained from the legal services team at legalservices@westnorthants.gov.uk.

19.5 For all other directed surveillance of staff, managers must submit a request to the Legal Services Team (email above).

RIPA does not grant powers to carry out surveillance. It simply provides a framework that allows the Council to authorise and supervise a defined category of surveillance in a manner that ensures compliance with the Human Rights Act 1998. Equally RIPA does not prevent surveillance from being carried out in other circumstances that fall outside the RIPA framework.

- There may be times when it will be necessary to carry out covert Directed Surveillance or use a CHIS other than by using RIPA. For example, in relation to an investigation into an allegation that a contractor is not carrying out their work as contracted, a serious disciplinary offence by a member of staff is alleged e.g., gross misconduct, or children are at risk where Court Orders are not being respected, then a RIPA authorisation is not usually available because “*criminal proceedings*” are not normally contemplated.
- Similarly, there may be serious cases of neighbour nuisance or involving anti-social activity which involve potential criminal offences for which the penalty is below the thresholds which would enable use of a RIPA authorisation. Nonetheless in such cases there may be strong grounds for carrying out Directed Surveillance or use of a CHIS. Indeed, there may be circumstances in which Directed surveillance or use of CHIS is the only effective means of efficiently obtaining significant information to take an investigation forward.

19.9 Officers should be particularly careful to ensure that individuals who are not a CHIS at the outset of an investigation do not inadvertently become a CHIS by a process of “status drift”. If, for example a complainant volunteers to obtain further information about a person being investigated, care should be taken to consider whether the proposed action would involve the complainant becoming a CHIS and if so whether that is appropriate and in accordance with RIPA and the CHIS Code of Practice. Advice should be sought from the Head of Information Governance & Risk if such conduct is suspected.

19.10 In the circumstances outlined above, a RIPA application may be completed in accordance with this Policy and the application must be clearly endorsed in red



“NON-RIPA SURVEILLANCE” along the top of the first page. The application must be submitted in the normal fashion to the Authorising Officer who must consider it under the necessity and proportionality test in the same way they would a RIPA application. The normal procedure of timescales, review and cancellations must also be followed.

19.11 The authorisation, regular review, the outcome of any review, renewal applications and eventual cancellation must be notified to the RIPA Monitoring Officer in the normal way and using the same timescales as would be applicable to a RIPA investigation. However, for non RIPA surveillance the requirement to seek approval from the Magistrates Court is inapplicable. The authorisation for non RIPA surveillance takes effect from the date that it is authorised by the Authorising Officer.

Social Media

20.1 In some investigations, social media sites can form a useful source of intelligence. Usually, a review of open-source sites will not require authorisation. However, if reviews are carried out in respect of the same individual with some regularity, this may amount to directed surveillance and authorisation should be obtained.

20.2 If it is necessary and proportionate for the Council to covertly breach privacy controls (e.g., by becoming an account holder’s “friend” using a false identity) to conduct an investigation, then a directed surveillance authorisation will be required.

20.3 If the surveillance involves more than merely reading the sites contents, then an authorisation for the use and conduct of a CHIS will be required.

20.4 Such activities may be monitored by the Council.

Storage & Destruction of Surveillance Data

20.1 The Director of Legal and Democratic Services and Monitoring Officer will store all signed authorisations electronically centrally in a secure manner.

20.2 All electronic copies of the signed authorisations, will be retained for three years and then disposed of securely, unless it is believed that the records could be relevant to pending or future criminal proceedings, where they must be retained for a suitable further period, commensurate to any subsequent review.

20.3 The Council will ensure that all material acquired during covert surveillance is held in secure locations, with clear handling instructions in place when material



exchanges hands, and a clear retention, review, destruction (RRD) schedule will be applied to all copies made.

20.4 Standard Operating Procedures will be followed within teams producing covert material to support officers at a tactical level outlining wider safeguarding requirements (security, access, information sharing) and all relevant staff will be trained on these procedures.

Compliance with the Legislation

22.1 The Council recognises the need to make the contents of this Policy known and ensure compliance by every employee.

22.2 The Director of Legal and Democratic Services and Monitoring Officer will notify relevant staff of changes to RIPA and surveillance legislation, how these changes will affect them, when they will occur and what is needed to stay within the law.

22.3 The Council also recognises the need to make their policies known and accessible to the public. This policy will be published on the Council's website.

22.5 RIPA statistics, suitably redacted as to not reveal specific operations, will be published on the Council's website annually via the open data site.

22.6 West Northamptonshire Council expects all employees to comply fully with this policy. Disciplinary action may be taken against any Council employee who knowingly breaches any instructions contained in, or following from, this policy.

Complaints

23.1 Complaints relating to any surveillance matters must be made in writing and addressed to:

Director of Legal and Democratic Services and Monitoring Officer, West Northamptonshire Council, The Guildhall, St Giles Square, Northampton, NN1 1DE, or via email to:

legalservices@westnorthants.gov.uk

If the complainant is still unhappy following the Director of Legal and Democratic Services and Monitoring Officer response, they must be advised to write to:

The Investigatory Powers Tribunal, PO Box 33220, London, SW1H 9ZQ.

Tel.: 0207 035 3711



WEST NORTHAMPTONSHIRE COUNCIL

AUDIT AND GOVERNANCE COMMITTEE

Report Title	Pension Fund Annual Report and Statement of Accounts 2021-22
Report Author	Ben Barlow, Ben.Barlow@Westnorthants.gov.uk

Contributors/Checkers/Approvers

West MO	Catherine Whitehead	11 th January 2023
West S151	Martin Henry	16 th December 2022

List of Appendices

Appendix 1 - Final Annual Report and Statement of Accounts 2021-22

Appendix A – ACCESS Annual Report

Appendix 2 – Grant Thornton’s ISA260 Audit Results Report 2021-22

1. Purpose of Report

- 1.1 To present the Final Annual Report and Statement of Accounts of the Pension Fund for the 2021-22 financial year.
- 1.2 View the findings of the external audit documented in the ISA260.

2. Executive Summary

- 2.1 The report covers the contents of the final Annual Report and key highlights from the Statement of Accounts. The Fund’s assets have risen to £3,367.7m, following strong financial growth during the year with a net increase of £264.3m, mainly due to the outperformance of pooled investments. Contributions, Benefits, Management Expenses and Investment income have also increased since last year.
- 2.2 The report covers the findings of the external audit for the Northamptonshire Pension 2021-22.

3. Recommendations

- 3.1 The Committee is asked to:
 - a) Approve the Statement of Accounts and notes the Annual Report of the Pension Fund for the 2021-22 financial year.

- b) Recommend the findings of external audit documented in the ISA260 are acted upon.

4. Reason for Recommendations

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

5. Report Background

- 5.1 The Pension Fund's Statement of Accounts (SOA) form part of the Council's Statement of Accounts. These are audited by the Council's external auditor Grant Thornton (GT). The auditor confirms whether, in their opinion, the SOA reflect a true and fair view of the financial position of the authority (and the Fund within it) for the financial year 1st April to 31st March and that the SOA is free from material mis-statement.
- 5.2 The accounts are based on transactions accounted for within the Fund's financial ledger, information received from Investment Managers and the Fund's Custodian Northern Trust, and assumptions and estimations utilising the professional judgement of officers and Fund professional advisers in order to give a true and fair statement of the Fund's financial position.
- 5.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 (the Code), which governs the preparation of the financial statements for Local Government Pension Scheme funds. A CIPFA template is used each year to ensure that the reporting meets the requirements of the Code and is compliant with International Financial Reporting Standards (IFRS).
- 5.4 The publication of the Accounts is an essential feature of public accountability and stewardship as it provides information on how the Fund has used the members' funds for which it is responsible.
- 5.5 The structure and content of the Annual Report is governed by guidance issued by the CIPFA in compliance with Regulation 57 of The Local Government Pension Scheme Regulations 2013 (as amended).

6. Content, Responsibilities and Timeline

- 6.1 The Annual Report and Statement of Accounts contents are set out over eight sections: -
 - 6.1.1 Preface - provides an introduction to the Annual Report framing the arrangements for the management of the Fund, a statement of responsibilities and listing key third parties.
 - 6.1.2 Scheme Administration - describes the scheme framework, how the Fund is administered, the Administering Authority's role, membership movements and Pension Committee and Local Pension Board membership. In addition, it sets out the key policies and strategies of the Fund and key policy changes through the financial year.

- 6.1.3 Management and Financial Performance - describes the management of the Fund and sets out how decisions are made, the structure of the Pensions Service and sections on risk management and performance of the service. In addition, this section lists employer establishments, their contributions and status.
- 6.1.4 Investment Policy and Performance - describes the legislation under which investment of Fund assets is undertaken, the Fund's investment strategy and performance including commentary on asset pooling. In addition, it includes savings generated by pooling of investment assets and cost transparency. The Fund's investment consultant reviews the economic market background for the year and the future outlook.
- 6.1.5 Actuarial Information - describes how the Fund has complied with the Local Government Pension Scheme Regulations 2013 and the Fund's key funding principles adopted in the Funding Strategy Statement. This section describes the most recent triennial valuation and the key assumptions applied.
- 6.1.6 Audit Opinion – Audit opinion issued by the Fund's auditors confirms the SOA reflect a true and fair view of the financial position for the financial year 1st April to 31st March and that the SOA is free from material mis-statement.
- 6.1.7 Pension Fund Accounts - accounting statements and notes to the accounts and is approved as a section within the Administering Authority's SOA
- 6.1.8 Glossary
- 6.2 The 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).
- 6.3 The statutory date for publication of the Pension Funds Annual Report is 1st December.

7. Highlights – Statement of Accounts 2021-22

- 7.1 The Fund Account and the Net Asset Statement provide a summary of the financial activity with the notes to the accounts providing further information.
- 7.2 The net increase for the year was £264.3m, with the Fund's net assets rising to £3,367.7m reflecting strong financial growth during the year mainly due to the outperformance of pooled investments.
- 7.3 Contribution receipts increased slightly from £116.3m to £122.8m. The increase in contributions payments reflects the increase in the average contribution rate for 2021-22.
- 7.4 Benefit payments have increased from £96.2m to £103.4m. The increase in pension payments reflects the growth in the number of pensioners during the year and CPI uplifts to benefits in payment.
- 7.5 Management expenses are broken down in Note 11. Administration expenses have decreased from the previous year due projects carried out and completed in 2020-21. Oversight and Governance costs have increased due to higher actuarial, ACCESS and audit fees paid during 2021-22. Investment Management fees have increased during the year due positive to performance and fees being based on increased assets under management (AUM).

- 7.6 The one-year investment return as at 31st March 2022 was a net market gain of £229.4m.
- 7.7 Investment income increased from £23.4m to £28.9m mainly due to large income distributions from LionTrust UK Equities and JP Morgan Infrastructure. Investment income is impacted by market performance however the main returns are reflected in market value increases.

8. Findings and feedback from External Audit fieldwork

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

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

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

- 8.2 The Pension Fund's opinion cannot be finalised until the Council's audit has concluded.
- 8.3 There is one uncorrected misstatement identified during the audit. The investment asset balances included a number of estimated asset valuations for Level 3 assets, these are based on December 2021 actual valuations adjusted for cash flows to the 31 March 2022. The actual valuations received for these assets showed the investment asset balance was understated by £8.5m. This value is below materiality thresholds.
- 8.4 There have been a small number of disclosure amendments show in Appendix C of the results report and one recommendation for management in Appendix A of the report.
- 8.5 The Final version of the Annual Report and Statement of Accounts will be published on the Fund's website.

9. Implications (including financial implications)

9.1 Resources and Financial

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

9.2 Legal

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

9.3 Risk

- 9.3.1 There are no significant risks arising from this report.

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

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

9.4 **Consultation**

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

9.5 **Consideration by Overview and Scrutiny**

9.5.1 Not applicable

9.6 **Climate Impact**

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

9.7 **Community Impact**

9.7.1 There are no community impact implications.

9.8 **Communications**

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

10. **Background Papers**

10.1 Not applicable

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Northamptonshire Pension Fund Annual Report and Statement of Accounts Year Ended 31st March 2022

Contents

1. PREFACE

Chairperson's Foreword	Page 3
Statement of Responsibilities	Page 4
Scheme Management, Advisors & Partners	Page 5

2. SCHEME ADMINISTRATION

Pension Fund Administration	Page 7
Membership	Page 7
Scheme Administration Tools	Page 7
Scheme Framework	Page 8
Committee & Board Membership	Page 10
Policies & Strategy Statements	Page 11

3. MANAGEMENT AND FINANCIAL PERFORMANCE

The Team	Page 12
Complaints and Appeals	Page 12
Managing Decision Making	Page 13
Risk Management	Page 14
Financial Performance	Page 15
Performance Indicators	Page 16
Contributors to the Fund	Page 18

4. INVESTMENT POLICY AND PERFORMANCE

Investment Policy	Page 26
Pooling	Page 27
Asset Allocation	Page 29
Investment Performance	Page 31
TCFD Reporting	Page 33
Investment Consultants Annual Review	Page 38

5. ACTUARIAL INFORMATION

Report by Actuary	Page 43
-------------------	-------------------------

6. AUDIT OPINION

Report by Auditors	Page 46
--------------------	-------------------------

7. PENSION FUND ACCOUNTS

Pension Fund Account and Notes	Page 48
--------------------------------	-------------------------

8. GLOSSARY

Glossary of Terms	Page 82
-------------------	-------------------------

Chairperson's Foreword

It gives me great pleasure to introduce the Northamptonshire Pension Fund Annual Report and Statement of Accounts for 2021-22.

Staff responsible for the management and administration of the Northamptonshire Pension Fund have striven to deliver continuing high standards of performance to our scheme members, scheme employers and other stakeholders throughout the year.

Our scheme members increased to over 76,000 active, pensioner and deferred members of the scheme from the previous year's figure of over 73,000. Scheme members rely on us to look after their valuable pension rights during their lifecycle of scheme membership.

The Fund has seen further growth of 8.5%, ending this year with a fund valuation of £3.37bn as of 31st March 2022, compared to £3.10bn as at 31st March 2021.

This is despite the volatile market situation caused by the Russian invasion of Ukraine at the end of the financial year. Whilst first and foremost a human tragedy, the ongoing war in Ukraine is likely to lead to high inflation and challenging times for the Fund over the next year, with the effects not fully felt during 2021-22.

The Fund has worked hard to develop an enhanced responsible investment (RI) policy, which forms part of our overall investment strategy. The new RI policy sets out our approach to sustainable responsible investment and will help us manage the carbon and climate risks impacting our investments better.

The Fund has carefully chosen an ambitious decarbonisation pathway for its portfolio of investments that will enable the Fund to reach net zero carbon emissions by 2050 or earlier whilst still ensuring its ability to pay benefits when they fall do is not compromised. Further information on this important work can be found in section Investment Policy and Performance of this annual report and within the investment

pages on the Fund's website.

The Fund has continued to progress work within the ACCESS pool, increasing our pooled assets to 75% as of 31st March 2022, with further assets in the pipeline to be pooled in the future.

The Fund has also been busy preparing, collating and analysing data in preparation for the next 3 year valuation cycle.

After another successful year for the Fund I would like to once again thank the hard work of the Pension Fund Committee and its Investment Sub-Committee, members of the Local Pension Board, the Chief Finance Officer, the Head of Pensions and all the staff involved in the administration and management of the Northamptonshire Pension Fund.

Councillor Malcolm Longley

Chairman of the Northamptonshire Pensions Committee.

Dated: xxxxxxxx 2022

Statement of Responsibilities

Introduction

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

The Statement of Accounts has been prepared in accordance with the CIPFA/LASAAC Code of Practice for Local Authority Accounting in the United Kingdom 2021-22.

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

[Northamptonshire Pension Fund Valuation Report](#)

The Council's Responsibilities in respect of the Pension Fund

The West Northamptonshire Council is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:

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

Certificate of Accounts

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Pension Fund at 31 March 2022 and of its income and expenditure for the year 2021-22, and authorise the accounts for issue.




























Mr M Henry

Chief Finance Officer

(Section 151 Officer)

Dated: xx xxxxxx 2021

Scheme Management, Advisors and Partners

Partners		Asset Managers (Continued)	
 ACCESS <small>Effective • Collective • Investment</small>	ACCESS (Pension Pool)	 CATAPULT Ventures	Catapult
 Aon <small>Empower Results*</small>	AON (Consultants)	 CBRE	CBRE Global
 BARCLAYS	Barclays (Bank)	 HARBOURVEST	Harbour Vest Partners (UK)
David Crum (Independent Advisor)	David Crum (Independent Advisor)	 ifm investors	IFM Investors
 Grant Thornton	Grant Thornton (Auditors)	 J.P.Morgan	JP Morgan
 HYMANS ROBERTSON	Hymans Robertson (Actuary)	 LIONTRUST <small>COURAGE • POWER • PRIDE</small>	Lion Trust*
 Mercer	Mercer (Investment Consultants)	 LINK Group	Link Fund Solutions (Access)
 NORTHERN TRUST	Northern Trust (Custodian)	 LONGVIEW PARTNERS	Longview Partners*
 Pathfinder Legal Services Ltd	Pathfinder (Legal Advisor)	 M &G	M&G Investments*
 SQUIRE PATTON BOGGS	Squire Patton Boggs (Legal Advisors)	 NEWTON Investment Management	Newton*
Asset Managers		 UBS	UBS Asset Management
 Adams Street	Adams Street Partners	AVC Providers	
 Allianz	Allianz Global Investors	 PRUDENTIAL	Prudential
 ARES	Ares Asset Management	 Standard Life	Standard Life
 BAILLIE GIFFORD	Baillie Gifford & Co*	*Sub-funds managed by Link Fund Solutions in the ACCESS pool (page 27)	
 BlueBay Asset Management	Blue Bay Asset Management		

Scheme Management & Key Officers

The Key Officers of the Fund during the year were:

Mark Whitby – Head of Pensions

Ben Barlow – Investments and Fund Accounting Manager

Richard Sultana – Systems and Projects Manager

Akhtar Pepper – Operations Manager

Cory Blose – Employer and Communications Manager

Joanne Kent – Governance and Compliance Manager

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

Ben Barlow

Investments and Fund Accounting Manager,
Pensions Service

Email: Ben.Barlow@westnorthants.gov.uk

Telephone: 07831 123167



Enquiries relating to management and administration should be directed to:

Mark Whitby

Head of Pensions, Pensions Service

Email: Mark.Whitby@westnorthants.gov.uk

Telephone: 07990 556197



Registered Pension Scheme Number: 10079143

Scheme Administration

Introduction

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

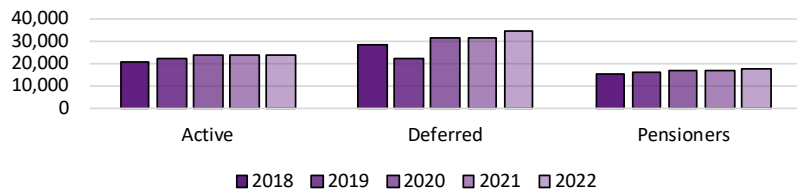
The Fund is a qualifying scheme under the automatic enrolment regulations and can be used by employers to automatically enroll eligible employees, and every three years re-enrol anyone who opts out of the scheme.

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

Membership

Membership of the Fund increased by 4.7% from the previous year.

On 31 March 2022 there were 24,055 active, 34,759 deferred and 17,705 pensioner members in the Fund. The deferred figure is inclusive of 10,133 open cases that may change status (undecided leavers).



Pension Fund Administration

There are 77 staff members (73.56 full time equivalent) within the Pensions Team, providing all aspects of service to both the Northamptonshire and Cambridgeshire Funds, with an average staff to member ratio of 1:2,299 (total members for Northamptonshire and Cambridgeshire Pension Funds divided by full time equivalent staff members).

Internal audit perform risk based audit procedures to assess the effectiveness and efficiency of administration services, and the Pensions Team have been awarded the national standard for excellence in customer service (CSE) since 2016.

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

Unitary Authority

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

Scheme Administration Tools

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

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

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

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

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

Scheme Administration (continued)

Scheme Framework

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

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

Employers' contribution rates are set by the Fund's Actuary every three years following the valuation of the Fund, in order to maintain the solvency of the Fund. The last valuation took place as at 31 March 2019. The results of the valuation were a funding level of 93% (31 March 2016: 28%) and an average primary employer contribution rate of 19% (31 March 2016: 17.1%). The primary rate includes an allowance of 0.8% (31 March 2016: 0.7%) of the pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% (31 March 2016: 6.3%) of pensionable pay.

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

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

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

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

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

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

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

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

While there was a MHCLG (now DLUHC) consultation in 2020 on proposed amendments to the LGPS Regulations necessary to remedy the specific unlawful age discrimination in the LGPS, no actual amendments have been made as yet. A fresh DLUHC consultation, which will include draft LGPS amendment regulations, is expected to take place in Summer 2022. The intention is that these amendment Regulations will come into effect on 1 October 2023, retrospective to 1 April 2014 (i.e. when the reformed LGPS, and therefore the transitional protection, was introduced).

Scheme Administration (continued)

The below table compares the 2008 and the 2014 schemes.

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

Scheme Administration (continued)

Pension Committee and Local Pension Board Membership

The following table shows the attendance of Committee and Board members at applicable Pension Committee, Investment Sub-Committee and Local Pension Board meetings during 2021-22, training undertaken in year, including; including; Training days, Conferences and Strategic Workshops.

Councillor/Member Name	Committee/Board	Meetings Attended	Training Undertaken (In person and virtual)
Councillor Malcolm Longley	Pension Committee	5 meetings out of 5	5 sessions attended
	Investment Sub Committee	4 meetings out of 4	
Councillor Charles Morton	Pension Committee	4 meetings out of 5	9 sessions attended
	Investment Sub Committee	2 meetings out of 4	
Councillor Phil Bignell	Pension Committee	5 meetings out of 5	3 sessions attended
	Investment Sub Committee	1 meetings out of 4	
Councillor Catharine Russell	Pension Committee	4 meetings out of 5	9 sessions attended and 1 external conference
	Investment Sub Committee	3 meetings out of 4	
Councillor Graham Lawman	Pension Committee	5 meetings out of 5	9 sessions attended
	Investment Sub Committee	4 meetings out of 4	
Robert Austin	Pension Committee	2 meetings out of 5	7 sessions attended and 1 external conference
	Investment Sub Committee	3 meetings out of 4	
Peter Borley-Cox	Pension Committee	5 meetings out of 5	8 sessions attended
	Investment Sub Committee	3 meetings out of 4	
Councillor Paul Joyce	Pension Committee	3 meetings out of 5	6 sessions attended
Councillor Peter Matten	Pension Committee	1 meetings out of 5	4 sessions attended
Councillor Jamie Lane	Pension Committee	4 meetings out of 5	1 session attended
Councillor Lloyd Bunday	Pension Committee	5 meetings out of 5	9 sessions attended
John Wignall	Pension Committee	3 meetings out of 4*	8 sessions attended
Councillor Ken Pritchard	Local Pension Board	3 meetings out of 3	7 sessions attended
Julie Petrie	Local Pension Board	2 meetings out of 3	9 sessions attended and 1 external webinar
Kevin Standishday	Local Pension Board	1 meetings out of 3	2 sessions attended and 1 external webinar
Katy Downes	Local Pension Board	1 meetings out of 2*	10 sessions attended and 1 external webinar and one conference
Alicia Bruce	Local Pension Board	2 meetings out of 2*	2 sessions attended and 1 external webinar

*Not in appointment for the entire period.

Scheme Administration (continued)

Policies and Strategy Statements

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

[Northamptonshire Pension Fund Key Documents](#)

The following policies were in place during the financial year

- Administering Authority Discretions
- Administration Strategy
- Admitted Bodies Scheme Employers and Bulk Transfers Policy
- Annual Business Plan & Medium Term Strategy 2021-2024
- Anti-Fraud and Corruption Policy
- Cash Management Strategy
- Communications Plan
- Communications Strategy
- Conflict of Interest Policy for Northamptonshire Pension Fund Board
- Data Improvement Policy
- Employer Data Retention Policy
- Funding Strategy Statement
- Governance Policy and Compliance Statement
- Investment Strategy Statement
- Northamptonshire Pension Fund Training Strategy
- Overpayment of Pension Policy
- Payment of Pension Contributions Policy
- Reporting Breaches of the Law to the Pensions Regulator Policy
- Risk Register
- Risk Strategy

Statement/Policy Changes in 2021-22

The following strategies and policies have been reviewed and updated accordingly in 2021-22:

- Admission Bodies, Scheme Employers and Bulk Transfer Policy
- Anti-Fraud and Corruption Policy
- Communications Plan
- Training Strategies
- Investment Strategy Statement
- Payment of Employee and Employer Contributions Policy

The Fund also developed a Cyber Strategy during the year, however this is not published due to its sensitive nature.

Management and Financial Performance

The Team

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

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

Complaints

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

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

Appeals

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

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

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

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

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

Nature of dispute	Stage 1	Stage 2
Benefits awarded lower than estimated	Not upheld	Not upheld
Lump sum paid less than quoted	Partially upheld (in 2020/2021)	Not upheld
Transfer out reinstatement/compensation	Not Upheld (in 2020/2021)	Not upheld
Refusal of early payment of deferred benefits on ill health grounds	Not Upheld (in 2020/2021)	Not upheld

Management and Financial Performance (continued)

Managing Decision Making

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

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

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

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

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

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

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

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

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

Management and Financial Performance (continued)

Risk Management

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

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

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

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

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

Investment Risk

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

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

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

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

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

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

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

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

Risk Assurance

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

Management and Financial Performance (continued)

Financial Performance

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

Performance Indicators	2021-22 Forecast £000	2021-22 Actual £000
Contributions	-107,000	-122,777
Transfers in from other funds	-7,000	-12,203
Total Income	-114,000	-134,980
Benefits payable	100,000	103,413
Payments to and for leavers	7,000	9,696
Total Benefits	107,000	113,109
Surplus of contributions over benefits	-7,000	-21,871
Management Expenses		
Administrative Costs	2,247	2,268
Investment Management Expenses	445	12,884
Oversight and Governance Costs	675	812
Total Management Expenses	3,367	15,964
Total Income less Expenses	-3,633	-5,907
Investment Income	-35,000	-28,920
Taxes on Income	0	0
(Profit)/loss on disposal and changes in market value of investments	-117,000	-229,429
Net return on investments	-152,000	-258,349
Net (increase)/decrease in assets during the year	-155,633	-264,256

Management expenses per active member are shown below:

Cost Per Active Member	2020-21	2021-22
Active Members	23,868	24,055
	£	£
Administrative Cost	99.38	94.28
Investment Management Expenses	457.85	535.61
Oversight and Governance Costs	29.66	33.76

Variance Analysis

- Contributions and benefits are in line with current membership numbers.
- Transfers in and payments out are demand led.
- Investment Management expenses forecast is understated as this does not include pooled fees deducted from market value.
- The 2021-22 forecast for profit/loss on disposal and changes in market value of investments assumed the actuaries target would be achieved. The actual market experience is explained in the independent investment advisors report (page 38).

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

Management and Financial Performance (continued)

Performance Indicators

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

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

	Cases completed in the year	Cases completed within KPI target	% of Cases completed within KPI target
Deaths – initial letter acknowledging death of member <i>KPI: 5 working days, Legal requirement: 2 months</i>	541	541	100
Deaths – letter notifying amount of dependant’s pension <i>KPI: 5 working days, Legal requirement: 2 months</i>	327	327	100
Estimates – letter notifying estimate of retirement benefits to employee <i>KPI: 15 working days, Legal requirement: 2 months</i>	529	504	95
Retirements – process and pay pension benefits on time <i>KPI: 5 working days, Legal requirement: 2 months</i>	486	462	95
Deferment – calculate and notify deferred benefits <i>KPI: 15 working days, Legal requirement: N/A</i>	1,454	1,371	94
Transfers in – Letter detailing transfer in (actual) <i>KPI: 10 working days, Legal requirement: 2 months</i>	427	421	99
Transfers out – letter detailing transfer out (quote) <i>KPI: 10 working days, Legal requirement: 3 months</i>	415	406	98

Management and Financial Performance (continued)

Contributions

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

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

Contributions	Total Paid in 2021-22 £000	Total Paid On Time £000	% Paid On Time	Total Paid Late £000	% Paid Late
Employer	98,109	97,526	99	583	1
Employee	24,668	24,480	99	188	1
Total	122,777	122,006	99	771	1

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

Recovery of Overpayments of Pension

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

Annual Pensioner Payroll (£) ¹	83,682,381
Total write off amount (£)	£1,845
Write offs amount as % of payroll	0.0

¹Excludes additional pension awarded by the employer.

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

Year	Overpayment £	Recovered/in progress £	Written Off £
2017-18	74,764	55,518	17,518
2018-19 ²	516,269	379,396	136,873
2019-20	136,830	47,180	89,650
2020-21	45,998	5,297	40,701
2021-22	11,326	9,481	1,845

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

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

Management and Financial Performance (continued)

Contributors to the Fund

Active Employers as at 31 March 2022

Type Of Body	Number of Active Employers
Administering (AA)	1
Scheduled (S)*	253
Admitted (Ad)	64
Total	318

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

The table to the left, shows the number of employers in the Fund as at 31 March 2022. The breakdown of contributions by employer shown in the table below will show a different number of employers when compared to the left, as employers joined and left the fund throughout the year. An active or ceased column has been added to show this movement. Where contributions exist for ceased employers, these represent prior year adjustments that have been made within 2021-22, or contribution receipts recorded within the period.

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Abbey C of E Academy (Daventry)	7,565	24,967	32,532	S	
Abbeyfield School	51,120	161,610	212,730	S	
Abington Vale Primary (Academy)	27,784	98,927	126,711	S	
ABM (St Mary's CE Primary)	614	3,697	4,311	Ad	
ABM Catering (Duston Eldean Primary School)	678	3,160	3,837	Ad	
ABM Catering (Lyncrest Primary)	483	2,248	2,731	Ad	
ABM Catering Limited (Innovate MAT)	1,133	3,977	5,110	Ad	
ABM Catering Limited - 2016 PDET	2,763	12,359	15,122	Ad	
ABM Catering Limited (2018 PDET)	1,240	5,086	6,326	Ad	
ABM Catering Limited (Montsaye Academy)	2,929	9,851	12,780	Ad	
Alfred Street Junior School	8,955	40,643	49,598	S*	
All Saints C of E VA Primary School	16,601	75,322	91,923	S*	
Alliance in Part' (Magdalen C)	501	2,150	2,651	Ad	
AMEY Ltd	12,717	42,536	55,253	Ad	
Ashby Fields Primary School	24,228	93,136	117,364	S	

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Aspens - DSLV Academy (Dantre & Southbrook)	1,699	9,612	11,311	Y	Ad
Aspens Services Ltd (Southfield School for Girls Kettering)	339	1,285	1,624		Ad
Badby Primary Academy	10,245	35,979	46,224		S
Balfour Beatty-St Lighting	4,176	9,534	13,710		Ad
Barby & Olney Parish Council	707	3,155	3,861		S
Barby Academy	4,809	18,894	23,703		S
Barry Road Primary (NCC)	32,241	194,001	226,243		S*
Beanfield Primary School	59,153	187,616	246,769		S
Billing Brook Academy	89,417	283,866	373,283		S
Birkin Cleaning Services (Elizabeth Woodville)	7,265	44,984	52,248		Ad
Bishop Stopford Academy	56,300	187,284	243,585		S
Blackthorn Primary (Academy)	19,637	67,038	86,675		S
Blakesley C of E Primary	5,458	22,121	27,578		S
Boddington C of E Primary Academy	3,154	12,388	15,542		S
Boothville Primary School (NCC)	40,012	185,613	225,625		S*

Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Boughton Primary Academy	11,134	36,114	47,248		S
Bozeat Community Primary Academy	8,614	36,183	44,798		S
Brackley Town Council	21,704	89,868	111,572		S
Brambleside Primary School	17,761	66,744	84,505		S
Braunston Academy	11,909	42,967	54,876		S
Briar Hill Primary Academy	16,768	56,957	73,725		S
Bridgewater Primary School	43,334	198,122	241,456		S*
Brightn Ltd (Braunston Primary School)	314	1,141	1,455		Ad
Brinton Primary school	6,142	27,087	33,228		S*
Brixworth CEVC Primary Sch. (NCC)	29,275	132,111	161,386		S*
Brixworth Parish Council	1,387	5,420	6,808		S
Brooke Weston Academy	122,637	349,052	471,688		S
Broughton Primary School (NCC)	12,688	57,238	69,926		S*
Buckton Fields Primary School	2,933	11,879	14,812		S
Bugbrooke Comm Primary Sch. (NCC)	19,065	86,921	105,986		S*
Byfield Academy	8,573	27,944	36,517		S
Campion School	66,549	211,619	278,167		S
Caroline Chisholm (Academy)	90,437	283,265	373,702		S
Castle Primary Academy	32,815	115,962	148,777		S
Caterlink Ltd (Eastfield Academy)	160	639	799		Ad
Caterlink Ltd (The Grange Academy)	522	2,064	2,586		Ad
Cedar Road Primary (Academy)	13,325	46,898	60,223		S
Chacombe CEVA Primary Academy	6,734	24,901	31,635	Y	S
Change-Grow-Live (previously known as CRI Probation)	1,302	5,128	6,431		Ad
Chenderit School (Academy)	36,178	119,108	155,286		S
Chipping Warden Primary Academy	6,306	27,542	33,848		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Cleantec (Chenderit School)	1,794	6,394	8,189		Ad
Cleantec (The Parker E-ACT)	9,266	31,202	40,467		Ad
Cleantec Services (Grange Primary)	310	1,607	1,918		Ad
Clipton Primary (NCC)	6,248	28,589	34,836		S*
Collingtree C of E Primary School	4,309	17,550	21,860		S
Compass Contract Services (Eastfield Academy and Rockingham Primary School)	1,024	3,257	4,281		Ad
Compass Contract Services (Fairfields School)	1,627	7,217	8,844		Ad
Compass Contract Services (The Abbey Primary School and Standens Barn Primary School)	-	1,195	5,206	-	6,402 Ad
Complementary Education (Academy)	51,013	168,199	219,211	Y	S
Consortium Audit (Warks)	286	3,124	3,409		Ad
Coombs Catering (Thomas Beckett Catholic Academy)	5,187	22,709	27,895	Y	Ad
Corby Borough Council	-	-	9,422	-	9,422 S
Corby Business Academy	67,728	208,893	276,621		S
Corby Old Village School (NCC)	12,726	58,803	71,529		S*
Corby Primary Academy	30,029	99,290	129,320		S
Corby Technical School	39,373	115,866	155,240		S
Corby Town Council	695	2,780	3,475		S
Cottingham C of E Primary Academy	6,757	23,986	30,743		S
Cranford C of E Academy	4,734	17,186	21,919		S
Croughton All Saints C of E Primary (NCC)	6,706	30,069	36,775		S*
Croyland Pri (Well'boro) (NCC)	41,564	190,711	232,275	Y	S*
CSN Resources Limited	21,725	82,306	104,031		S

Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Cucina Restaurants (Elizabeth Woodville School)	4,073	16,021	20,094		Ad
Culworth C of E Primary Academy	5,379	22,788	28,167		S
Danesholme Infants Academy	15,737	63,982	79,719		S
Danesholme Junior Academy	16,263	76,135	92,397	Y	S
Daventry District Council	-	53,345	53,345		S
Daventry Hill School	62,924	192,384	255,309		S
Daventry Norse Limited	23,590	106,719	130,309		Ad
Deanshanger Parish Council	1,260	5,518	6,778		S
Deanshanger Primary	22,227	102,552	124,779		S*
Delapre Primary School	36,968	168,265	205,233		S*
Denfield Park Primary (NCC)	28,593	130,108	158,700		S*
Denton Primary School	11,412	51,552	62,963		S*
Desborough Town Council	2,235	8,733	10,968		S
DSL V E-ACT Academy	37,259	132,388	169,647		S
Duston Eldean Primary (NCC)	27,177	124,780	151,957		S*
Duston Parish Council	10,355	41,529	51,884		S
Earls Barton Parish Council	1,390	6,087	7,477		S
East Hunsbury Parish Council	4,010	11,218	15,228		S
East Hunsbury Primary Academy	33,121	131,166	164,287	Y	S
East Midlands MAT HQ	-	-	-		S
Eastfield Academy	10,766	35,476	46,242		S
Easy Clean (Campion Sch)	1,756	6,224	7,979		Ad
Easy Clean Contractors Limited (St Thomas More Catholic Primary)	216	979	1,195		Ad
Easy Clean Contractors Ltd (St Brendan Pri)	513	3,318	3,830		Ad
Ecton Brook Primary (Academy)	40,802	146,045	186,846		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Ecton Village Academy	3,782	15,140	18,922		S
Elizabeth Woodville Academy	42,327	157,856	200,183		S
emPSN Services Ltd (pre. EMBC)	22,611	55,436	78,047		Ad
Exeter - a learning community	43,190	138,126	181,316		S
Fairfields Special (NCC)	62,175	283,805	345,980		S*
Falconers Hill Academy	9,527	35,543	45,070		S
Falconers Hill Infant School	14,108	54,304	68,412		S
Farthinghoe Primary School	2,952	11,021	13,973		S
Finedon Infants School	11,528	43,796	55,323		S
Finedon Mulso CEVA Junior School	9,748	37,010	46,758		S
Finedon Town Council	1,476	6,720	8,195		S
Freemans Endowed Church of England Junior School	16,271	55,616	71,887		S
Fresh Start Catering Limited	631	2,787	3,418		Ad
Friars Academy	41,794	146,669	188,463		S
Futures Housing Group	27,065	315,660	342,725		Ad
Gateway School (NCC)	26,473	116,150	142,624		S*
Gayton Church Of England Primary School	7,876	35,159	43,035		S
Glaphthorn Church of England Primary School	6,310	22,972	29,281		S
Grand Union Housing Group	69,478	340,256	409,735		Ad
Grange Park Parish Council	2,004	7,750	9,754		S
Grange Primary Academy	18,992	70,465	89,457		S
Great Addington CEVA Academy	5,148	19,287	24,435		S
Greatwell Homes	30,496	14,513	45,009		Ad
Green Oaks Academy	14,615	57,611	72,227		S

Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Greenfields Primary School and Nursery	22,102	72,887	94,989		S
Greenfields School & Sports College	46,576	159,916	206,492		S
Greens Norton Primary School	9,245	34,388	43,633		S
Gretton Primary School	7,915	26,625	34,541		S
GSO Limited (Prince William and Stimpson Avenue)	2,002	8,227	10,229		Ad
Guildsborough CEVA Primary School	8,495	33,072	41,567		S
Guildsborough School (Academy)	55,181	179,669	234,849		S
Hall Meadow Primary School	21,719	65,763	87,482		S
Hardingstone Academy	10,991	38,091	49,082		S
Harlestone Primary School (NCC)	3,881	18,062	21,943		S*
Hartwell Primary (Academy)	10,237	34,288	44,525		S
Havelock Infants	15,689	57,907	73,596		S
Havelock Junior	17,980	66,946	84,925		S
Hawthorn Community Primary	14,209	53,218	67,427		S
Hazel Leys Primary & Nursery School	17,539	78,235	95,774		S
Headlands Primary (Academy)	49,851	185,286	235,137		S
Henry Chichele Primary School (NNC)	21,510	99,420	120,930		S*
Higham Ferrers Junior School (NCC)	18,913	85,200	104,113		S*
Higham Ferrers Nur & Inf sch (NCC)	19,240	86,241	105,481		S*
Higham Ferrers Town Council	3,510	13,112	16,622		S
Hopping Hill Primary (NCC)	24,448	110,433	134,880		S*
Hospital and Outreach Education PRU	19,849	69,717	89,566		S
Hunsbury Park Primary (NCC)	22,257	107,622	129,879		S*
Huxlow Science College	45,801	172,657	218,458		S
IDVerde	38,296	92,263	130,559		Ad

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Innovate Services Ltd (Campion School)	2,101	10,518	12,619		Ad
Irchester Primary	23,250	96,943	120,194		S
Irthlingborough Junior School	27,197	100,287	127,483		S
Irthlingborough Nursery & Infants School	16,784	63,873	80,657		S
Irthlingborough Town Council	8,545	34,583	43,128		S
Isebrook College Academy	107,860	337,112	444,971		S
Isham C of E Primary Academy	4,213	20,018	24,231		S
Just Ask Estate Services Limited	6,532	28,849	35,381		Ad
Kettering Buccleuch Academy	83,308	245,994	329,302		S
Kettering Park Infants Academy	12,886	63,171	76,056		S
Kettering Park Junior Academy	20,949	82,375	103,324		S
Kettering Science Academy (including Compass Primary)	94,719	293,300	388,019		S
Kier (May Gurney Fleet & Passenger)	24,387	119,106	143,493		Ad
Kier (May Gurney Ltd)	27,943	50,779	78,722		Ad
Kier (May Gurney Nordis)	16,502	55,201	71,703		Ad
Kilsby Academy	5,883	20,021	25,903		S
Kings Heath Primary Academy	18,256	61,085	79,341		S
Kings Sutton Primary Academy	8,002	29,379	37,381		S
Kingsley Primary School	18,864	71,945	90,809		S
Kingsley Special Academy	65,055	245,602	310,657		S
Kingsthorpe College	61,930	240,222	302,153		S
Kingsthorpe Grove P (NCC)	34,288	156,305	190,592		S*
Kingswood Catering (Bridgstock Lathams)	363	1,689	2,052		Ad
Kingswood Catering (Little Harrowden Primary)	387	1,323	1,710		Ad

Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Kingswood Primary Academy	16,547	70,202	86,749	S	
Kingswood Secondary Academy	73,633	293,969	367,603	S	
Kislingbury C of E Primary Academy	6,689	27,276	33,965	S	
Latimer Arts College (NCC)	49,397	215,933	265,330	S*	
Legacy Leisure Ltd	997	5,263	6,260	Ad	
Lings Primary (Academy)	21,725	70,930	92,655	S	
Little Harrowden Community Primary School	10,644	35,874	46,519	S	
Loatlands Primary Academy	25,507	94,529	120,037	S	
Loddington C of E Primary School	7,276	24,132	31,408	S	
Lodge Park Academy	42,434	159,912	202,346	S	
Lumbertubs Primary Academy	14,573	52,553	67,126	S	
Magdalen College (Academy)	66,266	251,791	318,058	S	
Maid Marions Ltd	299	1,118	1,417	Ad	
Malcolm Arnold Academy	47,347	148,319	195,666	S	
Malcolm Arnold Prep (DRET)	14,857	47,181	62,038	S	
Manor School Sports College	63,099	208,808	271,907	S	
Maplefields Academy	44,429	156,254	200,683	S	
Mawsley Primary (NCC)	17,031	76,897	93,928	S*	
Maxim Facilities Management Ltd	1,951	7,492	9,443	Ad	
Meadowside Primary School	26,256	117,521	143,776	S*	
Mears Ashby C of E Endowed School	4,534	14,570	19,104	S	
Middleton Cheney Academy	20,115	70,060	90,175	S	
Millbrook Infant (NCC)	15,694	71,238	86,932	S*	
Millbrook Junior School	26,681	121,770	148,450	S*	
Milton Parochial Primary School	4,733	19,318	24,051	S	
Miquill South LTD (Whitefriars School)	916	4,264	5,180	Ad	

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Mitie Care & Custody Ltd	37,571	123,540	161,111	Ad	
Montsaye Academy	63,635	194,124	257,759	S	
Moulton College	233,801	833,404	1,067,206	S	
Moulton Parish Council	9,353	34,601	43,953	S	
Moulton Primary School (NCC)	33,232	151,865	185,097	S*	
Moulton School and Science College	69,957	222,066	292,023	S	
Naseby Academy	3,569	12,848	16,416	S	
Newnham Primary Academy	5,569	22,777	28,346	S	
Newton Road School	23,262	76,044	99,306	S	
Nicholas Hawksmoor Primary School	59,421	219,993	279,414	S	
North Northants Council	4,763,248	21,680,080	26,443,328	S	
Northampton Academy	74,573	214,291	288,864	Y S	
Northampton Borough Council	-	56,754	56,754	S	
Northampton College	378,692	1,411,597	1,790,289	S	
Northampton High School (Girl's Day School Trust)	18,668	123,546	142,214	Ad	
Northampton International Academy	76,268	280,074	356,343	S	
Northampton Partnership Homes Ltd	564,179	3,056,686	3,620,864	S	
Northampton School for Boys	83,060	263,526	346,586	S	
Northampton School for Girls Academy	58,221	296,609	354,831	S	
Northampton Theatres Trust LTD	11,981	151,464	163,445	Ad	
Northampton Town Council	13,060	43,813	56,873	Y S	
Northamptonshire County Council	38,198	526,834	565,032	AA	
Northamptonshire Carers	5,860	21,142	27,002	Ad	
Northamptonshire Fire & Rescue Service	150,299	401,612	551,912	S	
Northamptonshire Sport	35,995	89,461	125,456	Ad	

Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Northants Chief Constable	1,900,444	6,103,564	8,004,008		S
Northants Music & P/A Trust	5,116	-	5,116		Ad
Northants Police & Fire Crime Commissioner	113,833	310,778	424,611		S
Northgate Sch Arts (Academy)	102,807	317,186	419,992		S
NSL Ltd	2,624	-	2,624		Ad
Oakley Vale Primary School	16,894	54,791	71,685		S
Oakway Academy	21,296	88,036	109,332		S
Old Stratford Primary School	9,876	40,081	49,957		S
Olympic Primary School Academy	17,729	65,799	83,528		S
Oundle C of E Primary School	18,800	67,009	85,809		S
Oundle Town Council	3,572	14,052	17,624		S
Our Lady Immaculate Catholic Academies Trust HQ staff	20,083	54,348	74,431		S
Our Lady of Walsingham Catholic Primary School	21,525	75,214	96,740		S
Our Ladys Catholic Primary School	26,546	136,543	163,089		S
Overstone Primary School	8,962	40,422	49,383		S*
Park Junior School	21,080	93,531	114,611		S*
Parklands Primary School	15,655	61,013	76,668		S
Parkwood Leisure Ltd (formerly The Castle Theatre)	1,077	4,093	5,171		Ad
Pathfinder Legal Services Ltd (NCC)	112,308	388,204	500,512		S
Paulerspury C of E Primary (NCC)	6,788	30,086	36,875		S*
Pboro Diocese Ed. Trust (HQ)	52,889	126,190	179,079		S
Pineham Barns Primary School (Free School)	14,935	48,367	63,303		S
Pitsford Primary School	3,739	17,403	21,141		S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Places For People Leisure Management Ltd	6,879	-	6,879		Ad
Polebrook C of E Primary School	4,829	22,182	27,011		S
Preston Hedge's Primary (Academy)	31,758	97,581	129,340		S
Prince William Academy	21,737	96,129	117,866		S
Priors Hall - A Learning Community	19,186	72,631	91,817		S
Prospects Services	8,973	-	8,973		Ad
Purple Oaks Academy	31,115	113,765	144,880		S
Pytchley Endowed CEVA Primary School	4,839	22,093	26,932		S
Queen Eleanor Primary Academy	14,292	51,928	66,219		S
Raunds Park Infant School	6,069	29,070	35,138		S
Raunds Town Council	6,593	27,829	34,422		S
Rectory Farm Primary Academy	15,463	56,076	71,539		S
Red Kite Academy	50,921	160,520	211,441		S
Redwell Primary School	18,472	92,552	111,024	Y	S
Redwell Primary School (NCC)	14,334	65,299	79,633		S*
Ringstead C of E Primary Academy	11,204	37,227	48,431		S
Road Primary School	16,167	73,726	89,894		S*
Rockingham Forest Trust	4,343	9,731	14,074		Ad
Rockingham Primary Academy	15,332	53,100	68,431		S
Rothwell Junior School	17,469	65,276	82,745		S
Rothwell Town Council	1,079	4,504	5,583		S
Rothwell Victoria Infants School	15,292	56,222	71,514		S
Rowan Gate Primary (NCC)	91,604	409,467	501,071		S*
Rushden Academy	43,870	153,294	197,164		S
Rushden Primary Academy	21,032	71,135	92,168		S
Rushden Town Council	16,734	61,593	78,326		S

Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Rushton Primary Academy	5,646	21,233	26,879		S
Ruskin Infant and Nursery School	16,328	66,415	82,744		S
Ruskin Junior Academy	15,805	66,629	82,434		S
Shaw Healthcare	9,503	-	9,503		Ad
Silverstone C of E Primary Academy	12,319	48,056	60,375		S
Silverstone UTC	32,971	84,321	117,292		S
Simon de Senlis Primary Academy	23,727	94,725	118,452		S
Sir Christopher Hatton Academy	75,872	230,379	306,251		S
South End Infant School	20,295	92,219	112,515		S*
South End Junior School (NCC)	19,552	89,506	109,057	Y	S*
South Northants Council	42,106	96,911	139,017		S
Southfield Primary Academy	9,959	40,538	50,496		S
Southfield School for Girls	47,134	160,260	207,393		S
Sponne School (Academy)	87,703	281,275	368,978		S
Sports & Leisure Management (Everyone Active)	2,415	6,689	9,104		Ad
Spratton C of E Primary School	2,795	11,204	13,999		S
Spring Lane Primary School	19,372	70,871	90,243		S
St Andrews Primary Academy	19,899	66,267	86,166		S
St Barnabas	10,946	39,469	50,415		S
St Brendan's Catholic Primary School	11,716	61,191	72,907		S
St Edwards Catholic Primary	11,523	48,111	59,633		S
St Gregory's Catholic Primary School	19,841	78,698	98,539		S
St James C of E Primary School	37,860	132,705	170,565		S
St James Infant School	14,558	48,461	63,019		S
St Loy C of E Primary Academy	2,817	11,421	14,238		S
St Lukes CEVA Primary School Academy	18,500	74,529	93,029		S
St Marys Catholic Primary School	11,097	49,073	60,171		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
St Mary's CEVA Pri Acad Kettering	18,729	71,229	89,958		S
St Mary's Pri Acad, Burton Latimer	17,197	60,467	77,664		S
St Particks Primary (NCC)	14,690	65,973	80,663		S*
St Peters's C of E Academy	8,539	30,180	38,719		S
St Thomas More Catholic Primary School	10,599	47,270	57,870		S
Standens Barn Primary School	18,205	69,380	87,585		S
Stanwick Academy	8,608	36,938	45,547		S
Stanwick Parish Council	1,102	4,826	5,928		S
Staverton C of E Pri Academy	7,100	33,970	41,070		S
Stimpson Avenue Primary Academy	17,425	67,148	84,573		S
Stoke Bruerne Church Of England School	3,976	18,508	22,484		S
Studfall Infant School & Nursery Academy	27,754	138,406	166,160		S
Studfall Junior School Academy	28,209	123,928	152,138		S
Sunnyside Primary (Academy)	12,301	48,284	60,586		S
Sywell CEVA Primary School	5,025	20,792	25,816		S
Taylor Shaw (Ferrers School)	2,670	10,486	13,157		Ad
The Abbey Primary School	15,399	60,026	75,425		S
The Arbours Primary (Academy)	17,076	55,639	72,715		S
The Avenue Infants School (NCC)	13,728	61,772	75,500		S*
The Bramptons Primary School	4,219	19,717	23,936		S*
The Children's Trust	2,004,810	5,999,745	8,004,555	Y	S
The Coombs Catering Partnership (The Good Shepherd Primary Academy)	382	1,793	2,176		Ad
The Duston School (Academy)	81,138	225,084	306,222		S
The Ferrers School Academy	44,799	150,461	195,260		S
The Good Shepherd Catholic Primary School	15,766	83,615	99,381		S
The Parker E-ACT Academy	199,639	450,358	649,997		S

Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
The Spires Academy	12,347	45,650	57,997		S
The University of Northampton	1,207,203	4,618,315	5,825,517		S
Thomas Becket Catholic School	30,233	134,743	164,976		S
Thorplands Primary (Academy)	17,067	58,927	75,994		S
Tharptston Primary (NCC)	30,574	137,752	168,325		S*
Thrapston Town Council	2,911	10,875	13,787		S
Tiffield Church of England Voluntary Aided Primary School	4,385	20,004	24,389		S
Towcester C of E Primary School (Acad)	16,951	82,045	98,996		S
Towcester Town Council	4,668	18,836	23,504		S
Trinity C of E Primary School	6,005	23,691	29,696	Y	S
TTC 2000 Limited	726	2,268	2,994		Ad
Uni of Northampton Enterprises	25,073	-	25,073		Ad
UNITY LEISURE TRUST	50,716	18,915	69,631		Ad
Upton Meadows	28,892	103,836	132,728		S
Upton Parish Council	907	3,682	4,589		S
Veolia UK Ltd	67,762	225,503	293,265		Ad
Vernon Terrace Primary (NCC)	20,027	92,109	112,136		S*
Victoria Primary Academy	25,589	85,929	111,518		S
Voice for Victims and Witnesses Ltd	20,275	65,489	85,764		Ad
Walgrave Primary School	9,566	44,502	54,068		S*
Wallace Road Nursery School	-	26,497	26,497		S*
Warwick Primary Academy	18,713	57,090	75,803		S
Waynflete Infants' (Academy)	7,088	33,210	40,298		S
Weavers Academy	64,142	240,449	304,590		S
Weedon Bec Parish Council	1,348	5,999	7,347		S
Weedon Bec Primary School	22,790	76,612	99,402	Y	S
Weldon Parish Council	-	5,000	5,000		S
Weldon Primary Academy	9,276	42,799	52,075		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Welford, Sibbertoft and Sulby Endowed School	3,103	13,097	16,200		S
Wellingborough Norse Limited	66,745	-	66,745		Ad
Wellingborough Town Council	5,214	15,463	20,677		S
Welton C of E Primary (Academy)	6,807	22,832	29,639		S
West Haddon Parish Council	1,783	8,428	10,211		S
West Northants Council	5,093,162	23,600,930	28,694,092		AA
Weston Favell Academy	66,090	227,956	294,046		S
Weston Favell C of E Primary School	29,236	105,657	134,893		S
Whitefriars Primary School	24,857	112,090	136,947		S*
Whitehills Primary (NCC)	21,072	97,023	118,096		S*
Whittlebury Church of England Primary School	4,401	20,291	24,692		S
Wilbarston Primary Academy	6,989	19,898	26,887		S
Windmill Primary School	20,324	75,664	95,988		S
Wollaston Primary School	12,021	47,105	59,126		S
Wollaston School (Secondary)	61,324	249,823	311,147		S
Woodford C of E Primary School	6,367	26,816	33,183		S
Woodford Halse C of E Primary Academy	15,180	51,835	67,015		S
Woodland View Primary Academy	19,648	75,973	95,622		S
Woodnewton - A Learning Community	62,425	190,845	253,270		S
Woodvale Primary (Academy)	26,450	85,515	111,965		S
Wootton Parish Council	7,236	26,989	34,225		S
Wootton Park School	60,395	171,318	231,714		S
Wootton Primary (Academy)	23,465	81,010	104,475		S
Wren Spinney Community Academy	42,513	187,061	229,575		S
Wrenn School	71,525	263,801	335,326		S
WSP Management Services LTD	30,601	-	30,601		Ad
Yardley Hastings Primary	8,017	37,372	45,389		S*
Grand Total	24,667,626	98,109,147	122,776,773		

Investment Policy and Performance

Introduction

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

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

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

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

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

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

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

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

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

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

The Fund will continue to support the principles of the UK Stewardship Code (the "Stewardship Code") in the following year.

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

Investment Policy and Performance (continued)

Role of Investment Managers

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

Active focus

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

Custodian

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

Asset Pooling

The Fund is working with ten like-minded LGPS funds to implement the ACCESS asset pool in response to the Government’s LGPS reform agenda. The main aim is to encourage LGPS Funds to work together to form asset pools to “pool investments to significantly reduce costs, while maintaining investment performance.” Individually, the participating funds have a strong performance history and potential for substantial benefits for a group of successful, like-minded authorities collaborating and sharing their collective expertise. Collectively as at 31st March 2022, the ACCESS Pool has significant scale with assets of £60bn (of which 58.5% has been pooled) serving 3,500 employers with 1.2 million members including 310,000 pensioners.

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

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

At 31 March 2022, the Northamptonshire Fund had invested £1,494m in sub-funds of the ACCESS Authorised Contractual Scheme and £1,031m in the UBS passive arrangement resulting in £2,525m of assets under pool management representing 75.3% of the Fund’s assets.

During 2022-23 the Fund expects further investment in fixed income sub-funds of the ACS when they become available. The focus for ACCESS in 2022-23 is to continue work performed in 2021-22 to develop a pooled solution for Alternative asset classes. In December 2021, MJ Hudson were appointed implementation advisor for the Pool’s alternative assets.

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

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

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

Investment Policy and Performance (continued)

The Costs of Pooling

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

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

Operational Costs	2021-22 £000	2015-16 to 2021-22 Cumulative £000
Strategic & Technical	32.6	161.6
Legal	15.0	112.0
Project Management	0.0	81.1
ACCESS Support Unit	44.9	160.5
Other	2.7	29.4
Total Operational Costs	95.2	544.6

Cost Transparency - continued

	Asset Pool			Non- Asset Pool			Fund Total	
	Direct	Indirect	Total	Direct	Indirect	Total		
	£000	£000	£000	£000	£000	£000	£000	£000
Investment Management Fee	5,542	338	5,880	3,684	1,624	5,308		11,188
Performance Fee	0	0	0	2,015	2,191	4,206		4,206
Transaction taxes	0	0	0	299	138	437		437
Broker commissions	0	182	182	43	25	68		250
Other explicit costs	0	492	492	58	27	85		577
Implicit/indirect transaction costs	0	316	316	-2	570	568		884
Administration	300	0	300	268	638	906		1,206
Governance and Compliance	21	0	21	132	233	365		386
Other	-13	40	27	537	1,890	2,427		2,454
Total	5,850	1,368	7,218	7,034	7,336	14,370		21,588

Cost Savings

The fee savings for the 2021-22 financial year resulting from the asset pooling agenda exceed £2.114m.

Cost Transparency

The analysis below shows the investment expenses incurred during financial year 2021-22 between expenses incurred in respect of Pooled Assets held in the ACCESS Pool and those assets held outside of the pool. Direct costs include invoiced costs and costs deducted from the value of fund, or from income generated, in accordance with the fee agreement in place with each manager and explicit transaction costs. Indirect costs include implicit costs and third-party fees and charges. These are indicative estimates provided by Investment Managers as the reporting practices for the Cost of Transparency are still evolving.

Investment Policy and Performance (continued)

Investment Allocation and Performance

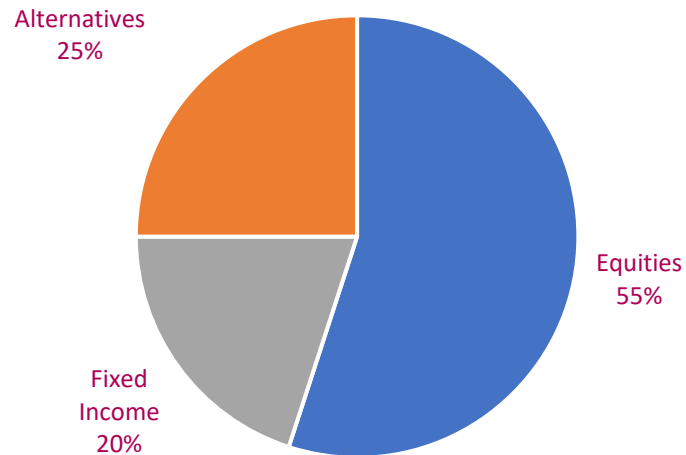
The Pension Fund Committee is responsible for approving the Strategic Asset Allocation proposed by the Investment Sub-Committee (ISC). The ISC performed a full review of the Strategic Asset Allocation during 2018-19 in conjunction with the Fund's Investment Consultants, Mercer Ltd and independent Investment Advisor. The review assessed the appropriateness of the current strategy and any changes necessary to increase the likelihood of meeting the Fund's objectives, namely:

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

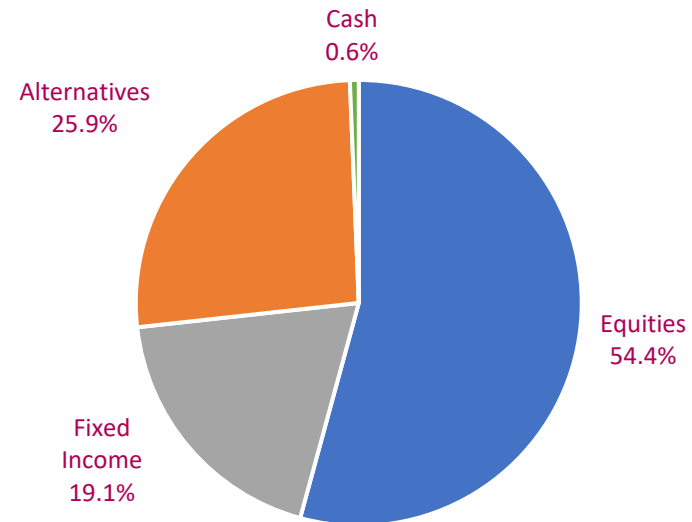
The strategy approved by the Pension Committee in December 2018 aimed to reduce the Fund's reliance upon, and the associated risks, of a large allocation to equities whilst retaining sufficient exposure to growth assets. The strategy focused on a reduction in equities and an increase in Alternative assets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

The charts below show the Strategic Asset Allocation at the close of the financial year compared to the actual allocation of assets as at 31 March 2022.

Strategic Allocation at 31 March 2021



Asset Allocation at 31 March 2022



Investment Policy and Performance (continued)

Value of Investments held by each of the Fund's Investment Managers on 31 March 2021 and 31 March 2022:

Manager	31 March 2021		31 March 2022	
	£million	% of Total	£million	% of Total
Equities				
Majedie UK Equity	278.3	9.0	293.9	8.8
UBS UK Passive Equity	24.5	0.8	27.4	0.8
Newton Global Equity	284.1	9.2	313.7	9.4
Baillie Gifford - Long Term Global Growth	259.5	8.4	223.3	6.7
Longview Global Equity	250.7	8.1	286.5	8.5
UBS Passive Global Equity	634.7	20.5	676.5	20.2
Fixed Income				
UBS Index Linked Gilts	311.8	10.1	327.1	9.8
BlueBay	143.1	4.6	157.1	4.7
M&G Alpha Opportunities	142.3	4.6	154.6	4.6
Alternatives				
CBRE Property	204.5	6.6	248.5	7.4
Baillie Gifford – Diversified Growth	214.4	7.0	221.7	6.6
M&G Real Estate	44.5	1.4	60.8	1.8
HarbourVest	68.9	2.2	104.6	3.1
Adams Street	44.0	1.4	82.3	2.5
AMP Capital	38.1	1.2	34.7	1.0
Allianz	20.1	0.7	17.1	0.5
IFM Infrastructure	48.1	1.6	58.3	1.7
JP Morgan	45.6	1.5	44.7	1.3
Catapult	0.5	0.0	0.5	0.0
Cash	33.8	1.1	21.5	0.6
Total	3,091.5	100.0	3,354.8	100.0

Investment Policy and Performance (continued)

Total Fund Performance

The total investment return for the Fund over the financial year was 8.2% net of fees compared with a weighted benchmark return of 10.8%. In the previous year the total investment return was 27% compared with a weighted benchmark of 22.9%. The Fund's total investment return was 9.6% p.a over the three years to 31 March 2022, 7.7% p.a over the five years to 31 March 2022, and 9.3% p.a over the ten years to 31 March 2022.

Performance of Managers

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

Asset Class /Manager	1 year (% p.a)			3 year (% p.a)			10 year (% p.a)		
	Return	Benchmark	Variance	Return	Benchmark	Variance	Return	Benchmark	Variance
Majedie UK Equity	5.6	13.0	-7.4	3.3	5.3	-2.0	7.1	7.2	-0.1
Newton – Global Equity	10.8	12.4	-1.6	13.9	13.4	0.5	13.2	12.1	1.1
Baillie Gifford - Long Term Global Growth	-13.9	12.4	-26.3	n/a	n/a	n/a	n/a	n/a	n/a
Longview Global Equity	14.6	12.4	2.2	n/a	n/a	n/a	n/a	n/a	n/a
UBS – Passive Equity	10.4	10.3	0.1	11.7	11.6	0.1	12.4	12.5	n/a
UBS Index Linked Gilts	4.8	4.8	0.0	2.2	2.2	0.0	n/a	n/a	n/a
BlueBay	-0.8	0.1	-0.9	n/a	n/a	n/a	n/a	n/a	n/a
M&G Alpha Opportunities	0.3	4.1	-3.8	n/a	n/a	n/a	n/a	n/a	n/a
Baillie Gifford - DGF	3.4	3.7	-0.3	3.7	3.9	-0.2	n/a	n/a	n/a
CBRE - Property	19.4	13.1	6.3	4.8	8.1	-3.3	6.3	8.1	-1.8
M&G – Residential Property	4.4	6.0	-1.6	2.4	6.0	-3.6	n/a	n/a	n/a
HarbourVest – Private Equity	6.6	19.8	-13.2	92.2	19.8	72.4	n/a	n/a	n/a
Adams Street – Private Equity	73.9	19.8	54.1	47.8	19.8	28.0	n/a	n/a	n/a
AMP Capital – Infrastructure Debt	11.7	10.0	1.7	5.1	10.0	-4.9	n/a	n/a	n/a
Allianz – Infrastructure Debt	-7.3	4.0	-11.3	3.0	4.0	-1.0	n/a	n/a	n/a
IFM Infrastructure	21.2	10.0	11.2	n/a	n/a	n/a	n/a	n/a	n/a
JP Morgan	3.9	10.0	-6.1	n/a	n/a	n/a	n/a	n/a	n/a

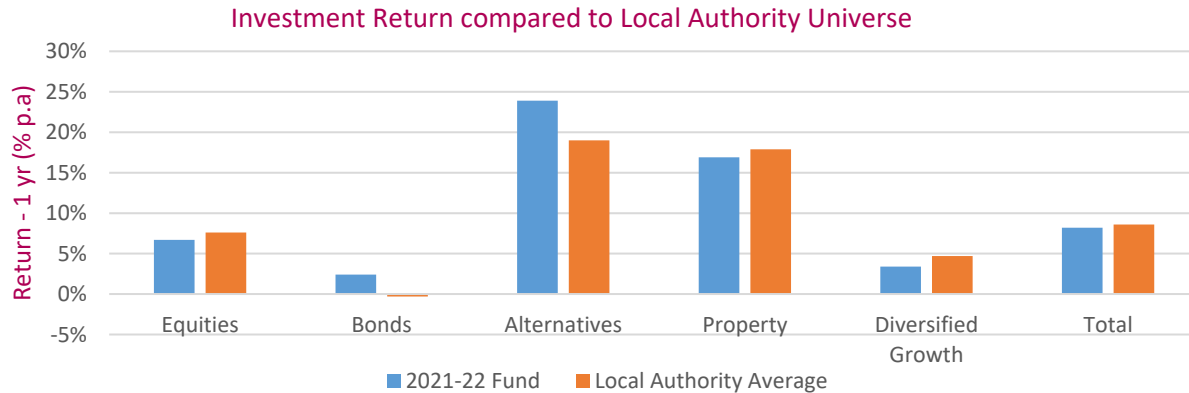
n/a = Not invested for the full period therefore no meaningful performance measure is available

Investment Policy and Performance (continued)

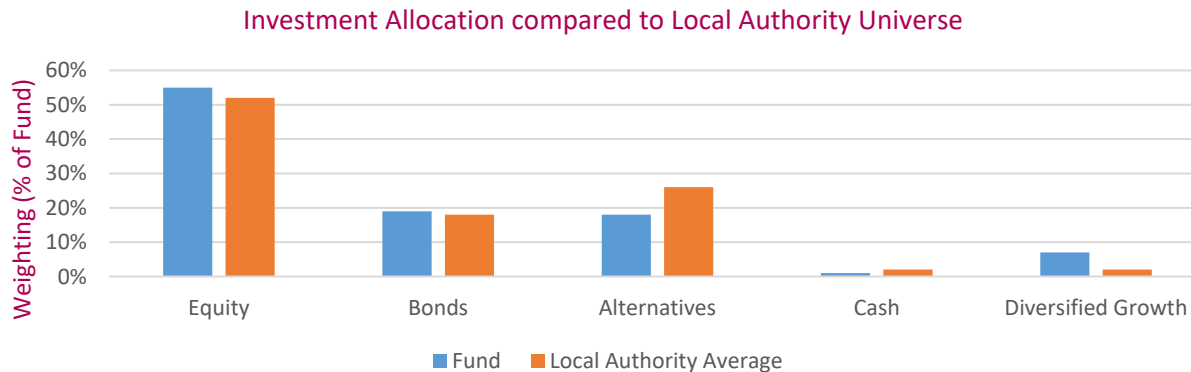
Performance in Comparison with Local Authority Universe

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

In 2021-22 the Fund's performance of 8.2% net of fees over the financial year was ranked 49th percentile out of the 63 Funds participating in the Universe. The investment return achieved was influenced by the Fund's holding of a higher proportion of pooled investments.



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



Investment Policy and Performance (continued)

Climate Change Report

Executive summary

The Fund recognises the systemic risk associated with climate change and the views and aspirations of other scheme employers and scheme members.

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

The Fund is working to produce climate change reporting that complies with the Task Force on Climate-Related Financial Disclosures (TCFD) framework, expected to become mandatory for LGPS Funds in the coming years. This report provides a summary of the Fund’s position as it relates to climate change, assessed across the four pillars under the TCFD Framework:

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

Governance

The Administering Authority has delegated to the Pension Fund Committee (“Committee”) the power to determine and maintain the

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

Research into how climate-related risks and opportunities impact financial markets is constantly evolving and expanding. The Committee or its ISC receives training on a regular basis to keep up-to-date with developments and will allocate time on meeting agendas to cover items such as climate-change scenario analysis or reporting of metrics.

During the Fund year, the Committee or ISC received various training sessions covering climate-related investment risks and reporting requirements in line with the TCFD recommendations. The Committee acknowledges that the reporting of climate-related risk is relatively new and the collective experience of the Committee and ISC will grow over time.

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

Strategy

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

Investment Policy and Performance (continued)

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

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

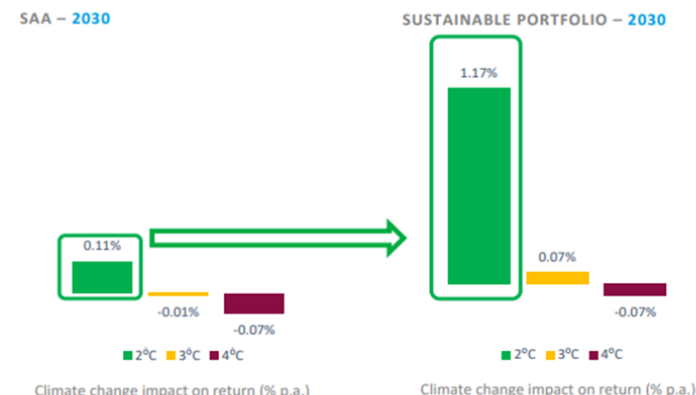
Resilience of the Fund's investment strategy

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

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

Transition opportunities emerge from a 2°C scenario

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



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

Key findings of the analysis

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

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

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

Investment Policy and Performance (continued)

Risk Management

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

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

Reporting	<p>The ISC will receive an annual climate dashboard providing an update on climate-related metrics and progress against targets in respect of the assets held in the Fund. The ISC may use the information to engage with the Fund’s investment managers.</p> <p>A quarterly stewardship monitoring report is being introduced in 2022-23 which summarises how the investment managers choose to vote and engage on climate-related issues (among other key engagement priorities).</p>
Manager selection and retention	<p>The ISC, with advice from its advisers, will consider an investment manager’s firm-wide and strategy-specific approach to managing climate-related risks and opportunities when either appointing a new manager, in the ongoing review of a manager’s appointment, or as a factor when considering the termination of a manager’s appointment.</p>

What are the climate-related risks and opportunities?

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

1. Transition risks and opportunities

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

- Policy and legislation
- Market
- Technology
- Reputation

Investment Policy and Performance (continued)

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

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

2. Physical risks and opportunities

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

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

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

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

Metrics and targets

Metrics

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

- Absolute emissions. This is the total emissions of seven major GHGs associated with the investments held (carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride and nitrogen trifluoride).

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

Limitations of emissions data

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

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

Targets

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

The Fund uses absolute emissions as the base line measure for a de-carbonisation pathway as it:

- Gives a 'real world' measure of the amount of carbon the Fund's portfolio is responsible for emitting
- Less likely to be susceptible to skews from carbon offsetting
- Less impacted by other external factors such as corporate sales due to changes in wholesale prices e.g. oil and gas prices

Investment Policy and Performance (continued)

On this basis, the Fund has also set interim targets for the listed equity portfolio in order to make progress towards the Fund's overall climate objective:

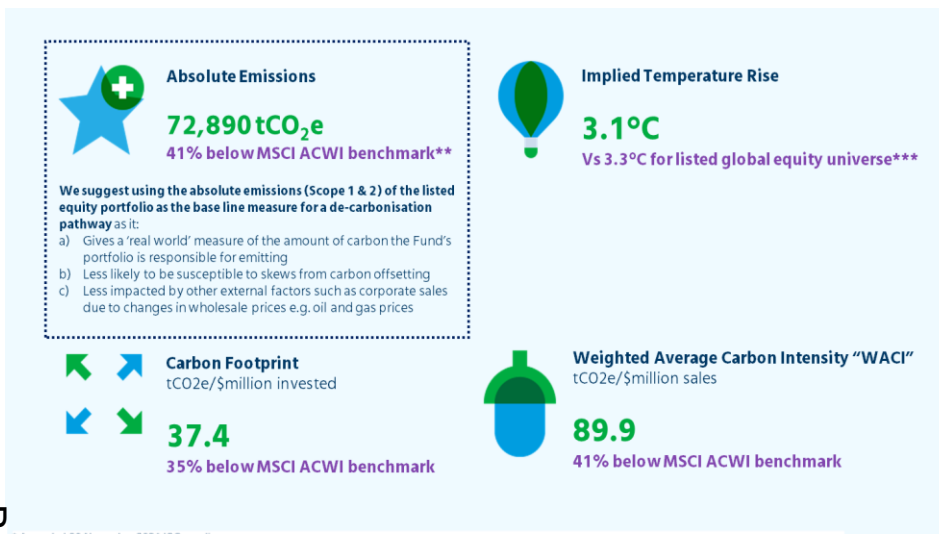
1. Emissions reductions of 25% (from the 2021 baseline) by 2024
2. Emissions reductions of 59% (from the 2021 baseline) by 2030

Carbon reporting dashboard

The Fund's metrics, initially measured in 2021 and to be used as a baseline for future targets, are set out in a publicly available carbon reporting dashboard¹ :

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

The dashboard will be updated on an annual basis.



* Agreed at 30 November 2021 ISC meeting
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¹ <https://pensions.northamptonshire.gov.uk/app/uploads/2022/04/CarbonReportingDashboardNPF.pdf>

Investment Policy and Performance (continued)

Investment Review – Financial Year to 31st March 2022

David Crum ASIP, May 2022

Ukraine

As the Fund's financial year was drawing to a close, we saw the worst of human behaviour in action, following Russia's invasion of Ukraine. This unjustified and wholly unwarranted aggression against a sovereign nation has had tragic consequences for Ukraine and Ukrainians, has potentially tragic consequences for a wider group of poorer nations that rely on Ukrainian wheat exports, and has seen a concerted effort by a significant number of countries to marginalise and punish President Putin's Russia.

Setting aside the horrific human tragedy and wanton destruction occurring on a daily basis in Ukraine, the financial punishment being meted out to Russia is unprecedented in its scope in recent history. Whilst President Putin may well have expected some consequences for his invasion, it's doubtful that he would have expected the breadth and depth of sanctions and other punitive actions that have taken place. For Europe to be considering a ban on the import of Russian oil and gas by the end of 2022 is nothing short of seismic, and along with many Russian banks being excluded from global capital markets and the SWIFT interbank payment system, these steps have left Russia in a much-weakened position, both economically and in terms of influence.

It is hard to see how President Putin / Russia can achieve any kind of demonstrable victory in Ukraine. Having laid bare to the world the shortcomings of the Russian army, equipment and tactics when faced with a determined and externally supported defender, what happens next is likely to dictate the duration of Russian isolation. From all evidence to date, it seems unlikely that Russia will withdraw from Ukraine any time soon, and so a drawn-out war of attrition seems a very real possibility. The financial impact of this war on the Russian economy has been, and will continue to be, severe and Russia will remain a pariah state from an investment perspective for some time to come. From the Fund's perspective, it held relatively little in the way of direct Russian investments, As at March 2022, direct exposure to Russian, Ukrainian and Belarusian investments was estimated at £0.8m across the Northamptonshire Fund's pooled and non-pooled investments. This represents 0.02% of the Fund's assets.

Economic Background & Market Review

Region / Asset Class	Index	12 months % return GBP
UK	FTSE All Share	13.0
Europe	FTSE Europe X UK	6.5
US	S&P 500	21.2
Japan	TOPIX	-2.7
Asia	MSCI AC Asia ex Japan	-10.6
Emerging Markets	MSCI Emerging Markets	-7.1
UK Government Bonds	FTSE A Over 15 Year Gilts Index	-7.2
UK Index Linked Bonds	FTSE A Over 5 Year Index Linked Gilts Index	4.8
Global Bonds	Merrill Lynch Global Broad Market Corporate index	-1.7
UK Property	MSCI All Balanced Property Funds Index	23.1

Source: Thomson Reuters Datastream

The 2021/22 financial year got off to a relatively positive start in investment terms, with equity markets around the world continuing to recover from the Covid-induced lows seen at the end of March 2020, in part driven by company earnings being higher than forecast. Investors saw an improving economic environment, with sentiment becoming increasingly positive as Covid vaccination efforts ramped up across many (but not all) countries. A path out of the lockdowns and associated restrictions in travel seemed within grasp, and markets responded accordingly to this perceived positive outcome. However, as the year progressed, inflation concerns - and associated monetary policy tightening by central banks to try to contain it - grew, affecting bond valuations. This resulted in higher yields and was negative for longer duration bonds. The events in Ukraine sent markets tumbling in February 2022, and whilst that negative market impact appeared to dissipate towards the end of March 2022, the invasion amplified investor concerns of increasing inflation and rising interest rates.

Investment Policy and Performance (continued)

Inflation

Having had a historically benign inflationary environment for a number of years, we saw inflationary pressures build relatively rapidly during the Fund's financial year. Real world issues, as diverse as lockdown-caused microchip shortages for new cars and the post-lockdown demand bounce back on oil and gas, started to impact many businesses and consumers alike. Here in the UK, the Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 6.2% in the 12 months to March 2022. The largest upward contributions to the annual CPIH inflation rate in March 2022 came from housing and household services (1.49 percentage points, principally from electricity, gas and other fuels, and owner occupiers' housing costs) and transport (1.47 percentage points, principally from motor fuels and second-hand cars). However, it has been the increase in the costs of oil and gas that have arguably been the most dramatic:



Brent Crude Oil



UK Natural Gas

It seems hard to believe that Brent Oil was trading at \$25 a barrel at the end of March 2020. At the start of April 2021, it was trading at just under \$65, and ended the financial year at almost \$105 a barrel – an increase of over 60% during the year. Natural gas had an even more stratospheric rise in price, from a cost of £46 a therm at the end of March 2021 to just over £257 at the end of March 2022 – an increase of over 550%. There are a number of reasons as to why energy prices have spiked so markedly, but the key ones relate to climate change-influenced supply/capacity decisions, the post-lockdown resumption of economic activity and Russia's invasion of Ukraine. With this significant increase in the price of energy supplies, it was inevitable that the increasing operating cost for businesses would be passed through to consumers where possible. The increase in the cost of oil & gas (and the knock-on effect of the cost of electricity generation) is having a material impact not only on businesses and the Fund's investee companies, but also on individuals, especially those who live in 'fuel poverty', with no immediate relief on the horizon.

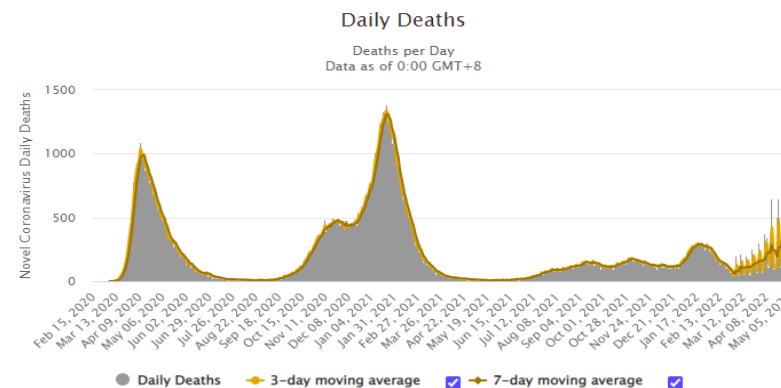
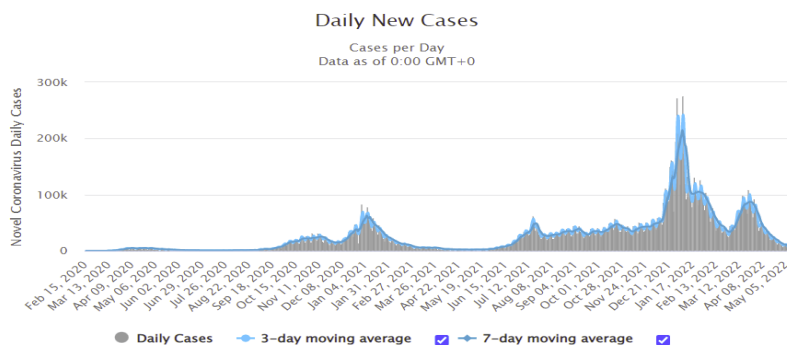
Investment Policy and Performance (continued)

Interest Rates

Due to these increasing inflationary pressures, both the Bank of England (Bank) in the UK and the Federal Reserve (Fed) in the US moved to try to contain inflation by raising interest rates. Having both acted quickly to reduce rates at the start of the pandemic in 2020, the Bank and the 'Fed' had to adjust their respective monetary policies in an attempt to prevent the UK and US economies from overheating. During the financial year, the Bank of England base rate rose from 0.1% to 0.75%, and the US federal funds rate from 0.25% to 0.5% (with another 0.5% increase taking place in early May 2022, bringing the US rate to 1% at the time of writing). In Europe, the European Central Bank (ECB), which last raised its deposit rate in 2011, left that rate unchanged at -0.5%, but it seems likely to follow the UK and the US by increasing the rate in the coming months.

It remains to be seen if inflationary pressures can be contained through rate rises, not least due to the fact that workers (not unreasonably) expect pay settlements to reflect the increasing cost of living. The generally held view is that the Bank of England, the Fed and the ECB have relatively little scope to increase interest rates markedly, given the current state of household finances. It also remains to be seen if the inflationary pressure is as temporary as some commentators hope.

COVID



At the time of writing the last Investment Review, we have had a year of living with Covid, and the consequences it had wrought on our lives and our way of living. We had also seen significant falls in the value of equity markets across the world, followed by their gradual recovery over time as we grappled with the challenges presented by the virus.

The arrival of the Omicron mutation of the Covid-19 virus in the UK towards the end of 2021 saw a significant increase in new daily cases, but thankfully the (what can now be seen as) successful rollout of the UK vaccination programme seemed to be the key factor in ensuring that deaths did not reach the levels that they had in Q4 2020. As a result, the financial impact on the UK economy was not as large as the initial impact of Covid. This may also be in part due to other factors – e.g., working from home – which have added some resilience to some sectors of the economy in the face of a public health crisis.

However, many countries have not had such a comprehensive vaccine rollout as the UK, and so Covid remains an ongoing threat not just to personal health and wellbeing, but to global economic activity, and is likely to continue to impact investment returns, particularly in countries who are still in the early stages of rolling out their vaccination programmes.

Investment Policy and Performance (continued)

COP26

The COP26 international climate conference took place in Glasgow from 31 October to 12 November 2021. The main conference goal was to secure global 'net zero' greenhouse gas emissions by mid-century and keep a maximum of +1.5 C degrees of warming within reach. A new global agreement - the Glasgow Climate Pact - was reached at the summit which set the global agenda on climate change for the next decade:

Emissions: it was agreed countries would meet in 2022 to pledge further cuts to emissions of carbon dioxide. Current pledges, if met, will only limit global warming to about 2.4C.

Coal: For the first time at a COP conference, there was an explicit plan to reduce the use of coal - which is responsible for c.40% of annual CO2 emissions. However, countries only agreed a weaker commitment to "phase down" rather than "phase out" coal after a late intervention by China and India.

Developing countries: The agreement pledged to significantly increase money to help poor countries cope with the effects of climate change and make the switch to clean energy. There was also the prospect of a \$1 trillion a year fund from 2025 (despite a previous pledge for richer countries to provide \$100bn a year by 2020 being missed).

Fossil fuel subsidies: conference attendees agreed to phase-out subsidies that artificially lower the price of coal, oil, or natural gas. However, no firm dates were set.

The relatively slow progress in relation to addressing man-made climate change is not the only pressing environmental challenge we face that has the potential to impact the Fund's investments. Published in 2009 and updated regularly, the Planetary Boundaries Framework demarcates a safe operating space for humanity, beyond which civilization could collapse, and life as we know it is significantly altered. The 9 boundaries cover climate change, biosphere integrity (functional and genetic), land-system change, freshwater change, biogeochemical flows (nitrogen and phosphorus), ocean acidification, atmospheric aerosol pollution, stratospheric ozone depletion, and release of novel chemicals (which includes pollution by plastics and other humanmade substances).

From an investment perspective, it is of critical importance that Environmental, Social and Governance ('ESG') factors are increasingly taken into account by the Fund's external investment managers, in terms of the investments they buy and hold on behalf of the Fund and the scheme beneficiaries. These same asset managers are on the front line in terms of influencing investee company and lender behaviour. It seems entirely sensible that successful investment appraisal should consider all risk and opportunity factors, which means moving beyond just financial considerations.

Investors are increasingly looking to their asset managers to attempt to 'internalise' these ESG 'externalities' into their investment appraisal processes, and to report back on their results. The Fund's new Responsible Investment Policy was approved during the year, and work is ongoing in terms of assessing and understanding how the Fund's managers are identifying and integrating ESG factors into their respective investment processes, and how they might best communicate this information to investors such as the Fund.

Fund Investment Performance

	1 Year Performance	3 Year Performance (p.a.)	5 Year Performance (p.a.)
Northamptonshire Pension Fund	8.2%	9.6%	7.7%
Fund Benchmark	10.8%	9.2%	7.6%

The Fund returned 8.2% for the year to 31st March 2022, underperforming the benchmark return of 10.8%. This underperformance was primarily due to the majority of the Fund's active equity managers trailing their specific benchmarks to a greater or lesser extent. The total performance of the Fund's equity investments was 6.6% versus a benchmark return of 11.8%. In terms of specific manager performance, Baillie Gifford, who had had such a stellar year in 2020/21, delivered a return of -13.9% against a benchmark return of 12.4% for their Global Equities mandate.

Investment Policy and Performance (continued)

The Fund's fixed interest allocation modestly underperformed when compared against its benchmark (2.4% actual return vs 3.6% benchmark return), with only the passive investments managed by UBS matching their benchmark return. The relatively newly appointed 'Multi-Asset Credit' managers, BlueBay and M&G, both had a challenging year, delivering below benchmark returns.

The Fund's Alternatives exposure, however, performed well, returning 16.2% against a benchmark of 13.4%. In aggregate, the Fund's infrastructure investments performed strongly, as did the Private Equity investments. The Fund's commercial property investments returned 19.4% for the financial year, underperforming the benchmark return of 23.1%.

In conclusion, whilst the Fund's investment performance did not beat the benchmark for the most recent 1-year period, the Fund remains ahead of its benchmark over the 3-year (9.6% p.a. vs 9.2% p.a.) and 5-year (7.7% p.a. vs 7.6% p.a.) time periods. It is worthwhile remembering that we judge success over the longer term, and expect there to be fluctuations in investment returns over shorter time periods.

Investment Strategy

Having reached 31st March 2022, it is now time for the Fund to undertake the triennial Actuarial Valuation, to create an up-to-date position of the Fund's pension liabilities. After the Actuarial Valuation exercise has been completed, attention will turn to the Fund's investment strategy, to consider whether it remains in tune with the scheme's liabilities. It would be wrong to prejudge the formal Investment Strategy Review, but what seems reasonable to say is that the Fund's investment approach is likely to continue to reflect a sensible diversification of investment risk, keeping the need to generate sufficient returns to pay the benefits in mind, and also being mindful of the long-term nature of investing whilst addressing the increasing ESG challenges we face.

Outlook

The war in Ukraine remains a worrying factor, and there is not insignificant risk that an increasingly cornered Russia may lash out, widening the conflict in Europe. Whilst the war may have shown China how not to go about the

'reunification' of Taiwan, it could perversely be seen as a green light to attempt to do so by Beijing. Despite the recent potentially encouraging steps the Chinese government has taken to "clean up" the Chinese real estate sector, continuing pressure on the sector is likely as the credit turmoil associated with China's second-largest property developer seems set to continue. It still remains to be seen if Brexit will be good or bad for the UK, in both a political and economic sense - whilst other events have pushed it down the agenda, it has not gone away.

The drive in Europe to move away from Russian oil and gas is likely to have a beneficial effect in terms of investment opportunities in renewable energy sources, and greater energy independence and security for the region. There are also challenges ahead, not least of which may well be the providers of replacement oil and gas to whom Europe turns.

The biggest challenges investors face over the coming year are likely to continue to be linked to inflation. Long-term investors such as the Fund can ride out periods of higher inflation, in part due to the fact that long-term equity returns have historically outpaced inflation. The Fund also benefits from having specific investments where the return is linked to prevailing inflation – for example, the Fund's allocation to Index Linked bonds. However, inflation also impacts the Fund's liabilities, as pensions have inflation increases built in. Central banks have their work cut out in trying to manage inflationary pressures via monetary policies that have little headroom for significant interest rate rises, and the relative indebtedness of households means that consumer demand could falter as finances continue to be squeezed.

Actuarial Information

Northamptonshire Pension Fund (“the Fund”) Actuarial Statement for 2021-22

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

Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS), dated March 2020. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long-term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

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

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund’s assets, which at 31 March 2019 were valued at £2,502 million, were sufficient to meet 93% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £176 million.

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

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

Method

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

Actuarial Information (continued)

Assumptions

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

The key financial assumptions adopted for the 2019 valuation were as follows:

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

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

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

*Aged 45 at the 2019 Valuation.

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

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but over most of 2020-21 and 2021-22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values as at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 is likely to be better than that reported at previous formal valuation as at 31 March 2019.

It is important to note that the formal triennial funding valuation exercise is as at 31 March 2022 and this may show a different picture when the finalised position is disclosed in next year's annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation exercise.

Robert McInroy FFA

6 May 2022

For and on behalf of Hymans Robertson LLP

Actuarial Information (continued)

Extract from the Actuarial Valuation Report

Executive Summary

We have carried out an actuarial valuation of the Northamptonshire Pension Fund (“the Fund”) as at 31 March 2019. The results are presented in this report and are briefly summarized below.

Funding Position

The table below summarizes the financial position of the Fund as at 31 March 2019 in respect of benefits earned by members up to this date (along with a comparison at the last formal valuation as at 31 March 2016).

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

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

Contribution Rates

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

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

The minimum contributions to be paid by each employer from 1 April 2020 to 31 March 2023 are shown in the Rates and Adjustment Certificate.

Primary Rate (% of pay)		Secondary Rate (£)	
1 April 20 – 31 March 23	2020-21	2021-22	2022-23
19%	£20,339,000	£20,463,000	£20,696,000

Robert McInroy FFA

Douglas Green FFA

31 March 2020

For and on behalf of Hymans Robertson LLP

Audit Opinion

Audit Opinion

Fund Account

31-Mar-21 £000	Notes	31-Mar-22 £000	
Dealings with members, employers and others directly involved in the fund:			
-116,311	Contributions	Note 7	-122,777
-7,759	Transfers in from other pension funds	Note 8	-12,203
-124,070			-134,980
96,190	Benefits	Note 9	103,413
8,958	Payments to and on account of leavers	Note 10	9,696
105,148			113,109
-18,922	Net (additions)/withdrawals from dealing with members		-21,871
14,008	Management expenses	Note 11	15,964
-4,914	Net (additions)/withdrawals including fund management expenses		-5,907
Returns on investments:			
-23,433	Investment income	Note 13	-28,920
14	Taxes on income		0
-670,914	(Profit) and losses on disposal of investments and changes in the value of investments	Notes 14a and 17b	-229,429
-694,333	Net return on investments		-258,349
-699,247	Net (increase)/decrease in the net assets available for benefits during the year		-264,256
-2,404,243	Opening net assets of the scheme		-3,103,490
-3,103,490	Closing net assets of the scheme		-3,367,746

Net Asset Statement

31-Mar-21			31-Mar-22
£000		Notes	£000
3,091,885	Investment assets		3,357,279
-390	Investment liabilities		-2,521
3,091,495	Total net investments	Note 14	3,354,758
17,977	Current assets	Note 21	18,564
-5,982	Current liabilities	Note 22	-5,576
11,995	Net current assets		12,988
3,103,490	Closing net assets of the scheme	Note 17a	3,367,746

Notes on pages 50 to 81 form part of the financial statements.

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

Notes to the Pension Fund Accounts

1. DESCRIPTION OF THE FUND

The Northamptonshire Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by West Northamptonshire Council. The Council is the reporting entity for this Pension Fund. The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report 2021-22 on pages 1 to 45 and the underlying statutory powers underpinning the scheme.

General

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

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

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

Membership

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

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

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

As at 31 March 2022 there are 318 (2021: 314) active employers within the Northamptonshire Pension Fund, including the Council itself.

	31-Mar-21	31-Mar-22
Number of employers with active members	314	318

The Fund has over 76,000 individual members, as detailed below:

	31-Mar-21	31-Mar-22
Number of employees in scheme:		
Administering Authority	8,067	5,010
Other employers	15,801	19,045
Total	23,868	24,055
Number of pensioners:		
Administering Authority	8,918	9,002
Other employers	8,128	8,703
Total	17,046	17,705
Deferred pensioners:		
Administering Authority	14,228	13,688
Other employers	9,733	10,938
Total	23,961	24,626
Undecided leavers:		
Administering Authority	3,570	3,986
Other employers	4,633	6,147
Total	8,203	10,133
Total members	73,078	76,519

Notes to the Pension Fund Accounts (continued)

Funding

Benefits are funded by contributions and investment earnings. Currently the level of contribution income is sufficient to fund regular benefit payments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2022. Employers' contributions are set as part of the triennial actuarial funding valuation. The last such valuation was at 31 March 2019. Employers' contributions comprise a percentage rate on active payroll between 1.8% and 35% and deficit payments of fixed cash amounts set for each employer as part of the triennial funding valuation.

Benefits

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

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

Career Average Revalued Earnings (CARE)

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

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

2. BASIS OF PREPARATION

The statement of accounts summarises the fund's transactions for the 2021-22 financial year and its financial position at 31 March 2022. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2021-22* (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

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

Notes to the Pension Fund Accounts (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue Recognition

Contribution Income

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

Transfers to and from Other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 8 and 10). Individual transfers in/out are accounted for on a cash basis. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see page 79) to purchase scheme benefits are accounted for on an accruals basis and are included in Transfers In (see Note 8). Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement. There have been no group transfers in during 2020-21 and 2021-22.

Investment Income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Movement in the net market value of investments

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

Fund Account – Expense Items

Benefits Payable

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

Taxation

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

Notes to the Pension Fund Accounts (continued)

Management Expenses

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

Administrative Expenses

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

Oversight and Governance Costs

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

Investment Management Expenses

Investment Management expenses are accounted for on an accruals basis.

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

Where an Investment Manager's fee note has not been received by the year end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2021-22, £0.1m of fees are based upon such estimates (2020-21: £ 0.1m). In addition, manager fees deducted from pooled funds of £12.5m (2020-21: £9.3m) are based upon information received from fund managers.

Net Asset Statement

Financial Assets

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

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

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

Foreign Currency Transactions

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

Notes to the Pension Fund Accounts (continued)

Derivatives

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

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

Cash and Cash Equivalents

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

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

Financial Liabilities

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

Actuarial Present Value of Promised Retirement Benefits

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

Additional Voluntary Contributions

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

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

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

Contingent Assets and Liabilities

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

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

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

Prior Period Adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Change in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Fund's financial position or financial performance.

Notes to the Pension Fund Accounts (continued)

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

It has not been necessary to make any material critical judgements in applying the accounting policies in 2021-22.

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

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

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

The items in the Financial Statements as 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pension Fund Liability

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

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

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

Actuarial Present Value of Promised Retirement Benefits

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

- **Uncertainties:** Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rates at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. An independent firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied. The actuary has included the McCloud judgement within their calculation shown in Note 20 (disclosure only).
- **Effect if Actual Results Differ from Assumptions:** The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £89m. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £6m, and a 1 year increase in assumed life expectancy would increase the liability by approximately 4%.

Notes to the Pension Fund Accounts (continued)

Private Equity

- **Uncertainties:** All private equity investments are valued at fair value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. See Note 16a.
- **Effect if Actual Results Differ from Assumptions:** Total private equity investments at fair value in the financial statements are £187.4m. There is a risk that this investment may be under or overstated in the accounts. Note 18 gives a price sensitivity of Private Equity of 31.2%, which indicates that private equity values may range from £128.9m to £245.9m.

Infrastructure

- **Uncertainties:** All infrastructure investments are valued at fair value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. See Note 16a.
- **Effect if Actual Results Differ from Assumptions:** Total infrastructure investments at fair value in the financial statements are £201.9m. There is a risk that this investment may be under or overstated in the accounts. Note 18 gives a price sensitivity infrastructure investments of 13.3%, which indicates that infrastructure values may range from £175.0m to £228.7m

Property

- **Uncertainties:** Valuation techniques are used to determine the carrying amount of pooled property funds. Where possible management uses the best available data. Uncertainties including changes in rental growth, covenant strength for existing tenancies, discount rate could affect the fair value of the property investments.
- **Effect if Actual Results Differ from Assumptions:** Total property investments in the financial statements are £249.2m. There is a risk that this investment may be under or overstated in the accounts.
Note

18 gives a price sensitivity pooled property investments of 15.0%, which indicates that infrastructure values may range from £211.8m to £286.5m

6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2022, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7. CONTRIBUTIONS RECEIVABLE

By category:

31-Mar-21		31-Mar-22
£000		£000
23,431	Employees' contributions	24,668
	Employers' contributions:	
71,463	Normal contributions	77,111
21,417	Deficit recovery contributions	20,998
92,880	Total employers' contributions	98,109
116,311		122,777

By authority:

31-Mar-21		31-Mar-22
£000		£000
32,642	Administering authority	28,695
80,402	Scheduled bodies	90,886
3,267	Admitted bodies	3,196
116,311		122,777

8. TRANSFERS IN FROM OTHER PENSION FUNDS

31-Mar-21		31-Mar-22
£000		£000
7,759	Individual transfers	12,203
7,759		12,203

Notes to the Pension Fund Accounts (continued)

9. BENEFITS PAYABLE

By category:

31-Mar-21	31-Mar-22
£000	£000
80,572 Pensions	83,863
12,452 Commutation and lump sum retirement benefits	16,665
3,166 Lump sum death benefits	2,885
96,190	103,413

By authority:

31-Mar-21	31-Mar-22
£000	£000
41,593 Administering authority	24,072
47,872 Scheduled bodies	72,151
6,725 Admitted bodies	7,190
96,190	103,413

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

31-Mar-21	31-Mar-22
£000	£000
1,120 Refunds to members leaving service	676
7,838 Individual transfers	9,020
8,958	9,696

11. MANAGEMENT EXPENSES

31-Mar-21	31-Mar-22
£000	£000
2,372 Administrative costs	2,268
10,928 Investment management expenses	12,884
708 Oversight and governance costs	812
14,008	15,964

Notes to the Pension Fund Accounts (continued)

12. INVESTMENT MANAGEMENT EXPENSES

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

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

13. INVESTMENT INCOME

31-Mar-21 £000	31-Mar-22 £000
3,060	19
Income from equities	
8,448	14,261
Pooled investments – unit trusts and other managed funds	
7,430	7,927
Pooled property investments	
4,462	6,694
Private equity/infrastructure income	
9	19
Interest on cash deposits	
24	0
Other – securities lending income	
23,433	28,920

Notes to the Pension Fund Accounts (continued)

14. INVESTMENTS

31-Mar-21 £000		31-Mar-22 £000
	Investment assets	
17	Equities	0
	Pooled investments	
302,803	• UK Equity Funds	321,249
1,429,039	• Global Equity Funds	1,499,989
311,751	• Index Linked Bonds	327,080
285,428	• Multi Asset Credit Funds	311,757
214,353	• Diversified Growth Funds	221,650
657	• Cash Funds	217
185,516	Pooled property investments	249,167
113,353	Private equity	187,426
196,471	Infrastructure	201,861
51,483	Cash deposits	36,374
484	Investment income due	509
530	Amounts receivable for sales	0
3,091,885	Total investment assets	3,357,279
	Investment liabilities	
-390	Amounts payable for purchases	-2,521
-390	Total investment liabilities	-2,521
3,091,495	Net investment assets	3,354,758

Notes to the Pension Fund Accounts (continued)

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

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

Notes to the Pension Fund Accounts (continued)

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

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

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

Notes to the Pension Fund Accounts (continued)

14(b). INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31-Mar-21		Market value 31-Mar-22	
£000	% of net investment assets	£000	% of net investment assets
Investments managed under Pooled Governance:			
1,287,000	42	1,493,631	44
970,953	31	1,030,982	31
2,257,953	73	2,524,613	75
Investments managed outside Pooled Governance:			
43,979	1	82,254	2
20,105	1	17,134	1
38,077	1	34,709	1
143,083	5	157,117	5
511	0	540	0
204,514	7	248,485	7
68,860	2	104,633	3
48,136	2	58,329	2
45,644	1	44,683	1
186,853	6	60,810	2
17	0	0	0
33,763	1	21,451	1
833,542	27	830,145	25
3,091,495	100	3,354,758	100

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

Notes to the Pension Fund Accounts (continued)

The following investments represent more than 5% of the Net Asset Statement of the scheme as at 31st March 2022.

Security	31-Mar-21	% of total fund	31-Mar-22	% of total fund
	£000	%	£000	%
LF ACCESS UK Equity - Majedie	278,300	9	293,857	9
LF ACCESS Baillie Gifford Diversified Growth Fund	214,354	9	221,650	7
UBS Asset Management Life Over 5 Year Index Linked Gilts	311,751	4	327,080	10
LF ACCESS Global Equity - Newton Investment Management	284,105	7	313,721	9
LF ACCESS Baillie Gifford Long Term Global Growth Fund	259,523	8	223,255	7
LF ACCESS Longview Global Equity	250,718	6	286,508	9
	1,598,751		1,666,071	

Notes to the Pension Fund Accounts (continued)

15. ANALYSIS OF DERIVATIVES

Objectives and Policies for Holding Derivatives

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

• Futures

There were no outstanding exchange traded future contracts at 31 March 2022 or 31 March 2021.

• Options

There were no outstanding option contracts at 31 March 2022 or 31 March 2021.

• Forward foreign currency

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

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

Settlement	Currency bought	Local Value	Currency sold	Local Value	Asset Value	Liability Value
		Currency		Currency		
One to six months	GBP	45,249	EUR	-53,644	0	0
Total					0	0
Net forward currency contracts at 31 March 2022						0
Prior year comparative						
Open forward currency contracts at 31 March 2021						0
Net forward currency contracts at 31 March 2021						0

Notes to the Pension Fund Accounts (continued)

16. FAIR VALUE

Valuation of Financial Instruments Carried at Fair Value

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

- Level 1** Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index-linked securities and unit trusts.
- Level 2** Assets and liabilities at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value. The price used is based upon inputs from observable market data.
- Level 3** Assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Northamptonshire Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2015, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

16(a). FAIR VALUE HIERARCHY

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

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

Values at March 2021	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	£000	£000	£000	£000
Equities	17	0	0	17
Pooled investments	657	2,543,374	0	2,544,031
Pooled property investments	0	0	185,516	185,516
Private equity/infrastructure	0	0	309,824	309,824
Cash and Cash Equivalents	37,167	0	0	37,167
Net investment assets	37,841	2,543,374	495,340	3,076,555

Pooled property investments have moved from Level 2 to Level 3 in the prior year due to Level 3 being a more appropriate basis of valuation. There have been no changes to valuation techniques for these assets.

Notes to the Pension Fund Accounts (continued)

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

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

Notes to the Pension Fund Accounts (continued)

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with Independent Investment Advisors, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022.

Asset Type	Market Value as at 31-Mar-22 £000	Assessed valuation range % (+/-)	Value on Increase £000	Value on Decrease £000
Private equity	187,426	31.2	245,903	128,949
Infrastructure	201,861	13.3	228,709	175,013
Property funds	249,167	15.0	286,542	211,792
Total Assets	638,454		761,154	515,754

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

Period 2021-22	Market value 01- Apr-21 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Unrealised gains/(losses) £000	Realised gains/(losses) £000	Market value 31-Mar-22 £000
Private Equity	113,353	44,527	-22,635	42,985	9,196	187,426
Infrastructure	196,471	2,402	-9,655	12,861	-218	201,861
Property funds	185,516	36,836	-10,947	37,465	297	249,167
Total	495,340	83,765	-43,237	93,311	9,275	638,454

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

Notes to the Pension Fund Accounts (continued)

17. FINANCIAL INSTRUMENTS

17(a). CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

31-Mar-21			31-Mar-22		
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
£000	£000	£000	£000	£000	£000
Financial assets					
17	0	0	0	0	0
2,544,031	0	0	2,681,942	0	0
185,516	0	0	249,167	0	0
309,824	0	0	187,426	0	0
	0	0	201,861		
0	0	0	0	0	0
37,167	23,478	0	36,327	8,706	0
0	1,014	0	0	509	0
0	8,815	0	0	9,905	0
3,076,555	33,307	0	3,356,723	19,120	0
Financial liabilities					
0	0	0	0	0	0
0	0	-390	0	0	-2,521
0	0	-5,982	0	0	-5,576
0	0	-6,372	0	0	-8,097
3,076,555	33,307	-6,372	3,356,723	19,120	-8,097
3,103,490			Total		
			3,367,746		

Notes to the Pension Fund Accounts (continued)

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

31-Mar-21	31-Mar-22
£000	£000
Financial assets:	
671,043	229,377
2	99
Financial liabilities:	
8	1
-140	-48
670,913	229,429
Total gains/(losses)	

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

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

[Risk Strategy Statement](#)

Responsibility for the Fund's Risk Management Strategy rests with the Pensions Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies

are reviewed regularly to reflect changes in activity and in market conditions.

a) Market Risk

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

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

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

The Fund manages these risks in two ways:

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

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

Notes to the Pension Fund Accounts (continued)

Other Price Risk

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

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

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

Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year in consultation with the Fund's investment Advisors, the Council has determined that the following movements in market price risk would have reasonably been possible for the 2021-22 reporting period. The potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment Advisors most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	Potential Market Movement +/- (%p.a.)
UK pooled equities	19.9
Global pooled equities	20.1
Index linked bonds	7.3
Multi asset credit	7.4
Diversified growth	9.1
Property	15
Private Equity	31.2
Infrastructure	13.3
Cash and other investment balances	0.3

Notes to the Pension Fund Accounts (continued)

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

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

31-Mar-21	Value as at	% (rounded)	Value on	Value on
Asset Type	31-Mar-21	Change	Increase	Decrease
	£000		£000	£000
UK equities	302,821	16.7	353,392	252,250
Global pooled equities	1,429,038	17.4	1,677,691	1,180,385
Index linked bonds	311,751	7.5	335,132	288,370
Multi asset credit	285,427	6.2	303,123	267,731
Diversified growth	214,354	11.9	239,862	188,846
Property	185,516	14.2	211,859	159,173
Alternatives	309,824	21.2	375,507	244,141
Cash and other investment balances	52,764	0.3	52,922	52,606
Total Assets	3,091,495		3,549,488	2,633,502

Notes to the Pension Fund Accounts (continued)

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment consultant in accordance with the Fund's Risk Management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Fund's direct exposure to interest rate movements as at 31 March 2022 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest Rate Risk Sensitivity Analysis

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

31-Mar-21 Asset Type £000	31-Mar-22 £000
311,751 Index linked bonds	327,080
285,714 Multi asset credit	311,757
597,465 Total	638,837

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

Exposure to interest rate risk	Asset values at	Impact of 1%	Impact of 1%
	31-Mar-21 £000	decrease £000	increase £000
Index-linked securities	311,751	314,869	308,633
Multi asset credit	285,714	288,571	282,857
Total change in assets available	597,465	603,440	591,490

Notes to the Pension Fund Accounts (continued)

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

Exposure to interest rate risk	Interest receivable 2020-21 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits, cash and cash equivalents	9	209	205
Fixed interest securities	531	536	526
Total	540	745	731

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

Currency Risk

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

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

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

Notes to the Pension Fund Accounts (continued)

Currency Risk – Sensitivity Analysis

Following analysis of historical data with the Fund’s Advisors, the Council considers the likely volatility associated with foreign exchange rate movements to be 9.5% (the 1 year expected standard deviation).

A 9.5% (31 March 2021: 9.8%) fluctuation in the currency is considered reasonable based on the Fund Advisors analysis of long-term historical movements in the month-end exchange rates over a rolling 36 month period. This analysis assumes that all other variables, in particular interest rates, remain constant. A 9.5% strengthening/weakening of the pound against the various currencies in which the fund holds investments would decrease/increase the net assets available to pay benefits as follows.

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

Assets exposed to currency risk	Value at	Potential	Value on	Value on
	31-Mar-21	market	increase	decrease
	£000	movement	£000	£000
Overseas equities - hedged	249,314	0	249,314	249,314
Overseas equities - unhedged	1,394,078	136,620	1,530,698	1,257,458
Overseas fixed income	285,427	27,972	313,399	257,455
Overseas cash fund	657	64	721	593
Total	1,929,476	164,656	2,094,132	1,764,820

b) Credit Risk

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

Notes to the Pension Fund Accounts (continued)

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

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

The Council believes it has managed its exposure to credit risk and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2022 was £45.0m (31 March 2021: £60.6m). This was held with the following institutions:-

	Rating	31-Mar-21 £000	31-Mar-22 £000
Money market funds			
Northern Trust Global Investors Global Cash Fund	AAAm	37,167	36,327
Bank deposit account			
Barclays Bank	A	9,162	8,659
Bank current accounts			
Northern Trust custody accounts	A-1+	14,316	47
Total		60,645	45,033

c) Liquidity Risk

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

The Fund has immediate access to its cash holdings, with the exception of holdings that are for a fixed term when the deposit is placed. The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2022 the value of illiquid assets was £638.5m, which represented 19.0% of the total Fund assets (31 March 2021: £495.3m, which represented 16.0% of the total Fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund Investment Strategy. All financial liabilities at 31 March 2022 are due within one year.

d) Refinancing Risk

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

Notes to the Pension Fund Accounts (continued)

19. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. The next valuation will take place as at 31 March 2022.

The key elements of the funding policy are:

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

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

At the 2019 actuarial valuation, the Fund was assessed as 93% funded (78% at the March 2016 valuation). This corresponded to a deficit of £176m (2016 valuation: £517m) at that time.

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

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

The table below summarizes the whole fund Primary and Secondary Contribution rates at the 2019 triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary and secondary rates, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate %	Secondary Rate		
1 April 2020 to 31 March 2023: 19%	2020-21: £20,339,000	2021-22: £20,463,000	2022-23: £20,696,000

The Primary rate above includes an allowance of 0.8% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% of pensionable pay. Full details of the contribution rates payable can be found in the 2019 actuarial valuation report and the funding strategy statement on the Fund's website.

Notes to the Pension Fund Accounts (continued)

Basis of Valuation

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

Financial Assumptions

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

Assumption	31-Mar-16	31-Mar-19
Price Inflation (CPI)/ Pension increases	2.1%	2.3%
Pay increases - 2016	2.4%*	2.8%**

*CPI plus 0.3%

**2% until 31 March 2020 followed by CPI plus 0.5% thereafter

The next triennial valuation is due 31 March 2022 where CPI was much higher than 31 March 2019, this is included as an experience item in the valuation.

Mortality Assumptions

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

Assumed life expectancy at age 65	Active and Deferred Members		Current Pensioners	
	Male	Female	Male	Female
2016 valuation	23.9	26.1	22.1	24.2
2019 valuation	22.3	25.1	21.5	23.7

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

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

Other Demographic Valuation Assumptions:

- Retirements in ill-health** - Allowance has been made for ill-health retirements before normal pension age.
- Withdrawals** - Allowance has been made for withdrawals from service.
- Retirements in normal health** - We have adopted the retirement age pattern assumption as used for the purpose of the 2016 LGPS cost cap valuation.
- Death in Service** - Allowance has been made for death in service.
- Promotional salary increases** - Allowance has been made for promotional salary increases.
- Family details** - A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than him and the dependant of a female member is assumed to be 3 years older than her.
- Commutation** - 50% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 (equivalent 75% for service from 1 April 2008).
- 50:50 option** - 1.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option.

Notes to the Pension Fund Accounts (continued)

20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

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

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

31-Mar-21		31-Mar-22
£m		£m
-4,572	Present value of promised retirement benefits	-4,418
3,103	Fair value of scheme assets (bid value)	3,368
-1,469	Net liability	-1,050

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial funding valuation (see Note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Assumptions Used

31-Mar-21	Assumption	31-Mar-22
% p.a.		% p.a.
2.85	Inflation/pension increase rate assumption	3.20
3.35	Salary increase rate	3.70
2.00	Discount rate	2.70

Notes to the Pension Fund Accounts (continued)

21. CURRENT ASSETS

31-Mar-21		31-Mar-22
£000		£000
Debtors:		
1,754	Contributions due – members	2,044
6,033	Contributions due – employers	6,286
1,028	Other debtors	1,575
8,815		9,905
Cash balances		
9,162		8,659
9,162		8,659
17,977		18,564

22. CURRENT LIABILITIES

31-Mar-21		31-Mar-22
£000		£000
967	Benefits payable	661
5,015	Other creditor	4,915
5,982		5,576

23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

31-Mar-21		31-Mar-22
£000		£000
5,725	Prudential	5,444
642	Standard Life	645
6,367		6,089

Total contributions of £148k (2020-21: £81k) were paid directly to Prudential during the year. Total contributions of £7k (2020-21: £51k) were paid directly to Standard Life during the year.

24. AGENCY SERVICES

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

31-Mar-21		31-Mar-22
£000		£000
2,208	Unfunded pensions	2,248
2,208		2,248

25. RELATED PARTIES TRANSACTIONS

West Northamptonshire Council

The Northamptonshire Pension Fund is administered by West Northamptonshire Council. Consequently, there is a strong relationship between the Council and the Fund. The Council incurred costs of £2.2m (2020-21: £1.6m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

The Council is also the single largest employer of members of the Pension Fund and contributed £23.6m of employer's contributions to the Fund in 2021-22 (2020-21: £25.9m as Northamptonshire County Council). At 31 March 2022 there was £1.9m due to the Fund by the Council (31 March 2021: £263k was due to the Fund by the Council).

Governance

No Pensions Committee members declared a personal interest due to either being a member of the scheme themselves or having a family member in the scheme. Council members have declared their interests in their Register of Members' Interests. Other members of the Pensions Committee are required to declare their interests at each meeting.

Notes to the Pension Fund Accounts (continued)

25 (a). KEY MANAGEMENT PERSONNEL

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

31-Mar-21	31-Mar-22
£000	£000
54 Short-term benefits	56
186 Post-employment benefits	3
240	59

26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2022 totalled £181.4m (31 March 2021: £186.6m).

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

27. CONTINGENT ASSETS

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

28. ASSET POOLING

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

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

On 31 March 2022 collectively the pool has assets of £60bn (of which 58.5% has been pooled) serving 3,500 employers with over 1.2 million members including 310,000 pensioners.

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

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

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

Notes to the Pension Fund Accounts (continued)

29. Prior Period Adjustment

There have been two prior period adjustments to the 2020-21 position. Previously, pooled property holdings £58.4m have been classified as Level 2 using fair value techniques, however they have been reclassified to Level 3 due to the valuation techniques use, Level 3 is a more appropriate classification for these assets. Additionally, £37m cash held in Money Market Funds were held at amortised cost during 2020-21, due to the nature of these assets they would require to be held at fair value through profit and loss.

Values at March 2021 - Prior year	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	£000	£000	£000	£000
Equities	17	0	0	17
Pooled investments	657	2,543,374	0	2,544,031
Pooled property investments	0	58,366	127,150	185,516
Private equity/infrastructure	0	0	309,824	309,824
Net investment assets	674	2,601,740	436,974	3,039,388

Values at March 2021	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	£000	£000	£000	£000
Equities	17	0	0	17
Pooled investments	657	2,543,374	0	2,544,031
Pooled property investments	0	0	185,516	185,516
Private equity/infrastructure	0	0	309,824	309,824
Cash and Cash Equivalents	37,167	0	0	37,167
Net investment assets	37,841	2,543,374	495,340	3,076,555

As a result of these classifications notes 16a, 16b and 17a have been amended.

Glossary

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

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

ACS Authorised Contractual Scheme.

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

AJC ACCESS Join Governance Committee

AUM Assets Under Management

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

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

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

CASH EQUIVALENTS Assets which are readily convertible into cash.

CIPFA Chartered Institute of Public Finance and Accountancy

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

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

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

COUPON The regular payment made on bonds.

CTI Cost Transparency Initiative

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

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

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

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

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

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

Glossary (continued)

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

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

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

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

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

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

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

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

GMP Guaranteed Minimum Pension

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

IAS International Accounting Standards

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

IDRP Internal Dispute Resolution Procedures

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

IN-SPECIE TRANSFER Transferring an asset 'in specie' means to transfer the ownership of that asset from one person/company/entity to another person/company/entity in its current form, that is without the need to convert the asset to cash. In specie transfers involve a transfer of assets between two pension schemes.

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

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

ISC Investments Sub-Committee

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

LPB Local Pension Board.

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

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

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

PC Pensions Committee.

Glossary (continued)

PLSA Pensions and Lifetime Savings Association.

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

RAG Red, Amber and Green

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

SAB Scheme Advisory Board

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

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

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

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

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

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

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

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

ACCESS

Annual Report

2021/22

Contents

Foreword by Cllr Mark Kemp-Gee	3
Introduction by Kevin McDonald – Director ACCESS Support Unit	4
ACCESS Background	6
ACCESS LGPS Authorities	7
Key Performance	8
Savings	9
Business Plan Milestone 2021/22	10
Business Plan 2022/23	11
Environmental, Social and Governance	12

Foreword

As Chairman of the ACCESS Joint Committee, I am pleased to introduce the latest Annual Report for the ACCESS Pool.

The COVID-19 pandemic not only shaped the way we all work but also led to significant market volatility. This volatility has continued following the Russian invasion of Ukraine and that cruel and unwarranted event has exacerbated energy and other supply chain issues that have contributed to rampant inflationary pressures. All in all, a difficult time for investors everywhere.

The development of the ACCESS Pool continues at pace with an additional four sub-funds opened during the year to assist the authorities in achieving diversification within their investment strategies attracting an additional £3.2 billion investment into the Pool.

In January 2022 MJ Hudson were appointed as implementation adviser for the establishment of pool vehicles for illiquid assets, after a competitive call off utilising the National LGPS Frameworks.

As implementation advisor, MJ Hudson will provide support to the Pool in selecting individual investment opportunities and investment managers to build portfolios in a range of illiquid assets including private equity, private debt, infrastructure and initially, real estate.

Another key achievement during the year was the development of updated Responsible Investment guidelines for which the pool was partnered by Minerva Analytics. Once consultation has been completed the guidelines will be formally published.

In addition to its Annual Report, ACCESS also produced a Progress Update report in conjunction with its communication advisers MHP Mischief, to provide an insight to the Pool, key activities and future plans.

In the year ahead we welcome representatives of the Local Pension Boards to observe the future Joint Committee meetings. Two members from each Board will be able to attend a meeting at least once a year.

In closing I would like to thank my fellow ten Joint Committee members, each representing their respective Authorities, along with the officers who support them, and the ACCESS Support Unit.



Cllr Mark Kemp-Gee

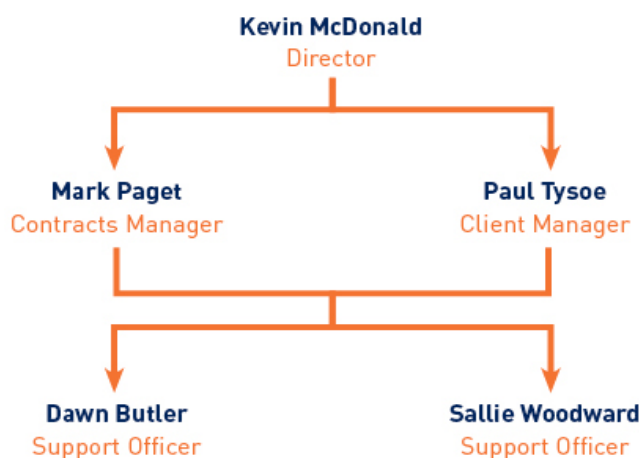
Chairman of the ACCESS Joint Committee

Chairman of the Hampshire Pension Fund Committee and Board

Introduction

It is my pleasure to introduce an overview of the work by the ACCESS Support Unit.

In 2018, the ACCESS Joint Committee agreed that a unit be established to provide day to day support for the work required to run the Pool, and that Essex County Council act as Host Authority. The ACCESS Support Unit (ASU) facilitates the Joint Committee (JC) and officer groups and has responsibility for programme management, client relationships, contract management/supplier relationships, administration and technical support services. The ASU's structure is set out below:



A business plan is developed and submitted for consideration by the JC ahead of the start of each year, prior to being recommended to each of the ACCESS Authorities. The business plan includes milestones across listed assets (both active and passive), non-listed assets and governance. The JC also determines an annual budget to support the activities within the business plan.

The ASU has responsibility to manage this development and implementation of the business plan, within budget, whilst assessing and managing the risks for the pool.

A central feature of ACCESS is the engagement of each of the eleven Authorities, and therefore the support and facilitation of stakeholder groups is key to the work of the ASU. The governance structure of the Pool ensures that dialogue with, and input from, Local Government Pension Scheme (LGPS) subject matter experts from each Authority, is gathered through the Officer Working Group (OWG) and various sub-groups. In turn, this enables the s151 Officer Group to form the recommendations that are ultimately considered by the JC.

It has long been recognised that considerable expertise exists within the LGPS officer community. The full time ASU staff are therefore supplemented by part-time Technical Leads whose work for ACCESS is part of the Pool's costs. In the last year this saw invaluable contributions from Sharon Tan, Suffolk (reporting); Samantha Andrews, Essex (budgeting) and Rachel Wood and Vickie Hampshire, West Sussex (Governance Manual).

The year ahead will see further sub-fund launches to meet the investment strategies of the Authorities, including emerging market equities, the start of the alternative asset investment platform with advice and guidance from MJ Hudson and the publication of the updated Responsible Investment guidelines.

I would like to thank my ASU colleagues, the technical leads and the officers of the Authorities for their enthusiasm, support and hard work towards the commendable progress of the Pool.



Kevin McDonald

Director of ACCESS Support Unit

ACCESS Background

ACCESS has its origins in 2016 when 11 Local Government Pension Scheme (LGPS) Authorities agreed to begin working collectively to address the requirements of the Government’s agenda for pooling LGPS investments.

The following strategic objectives are in place:

- 1** Enable the Councils to execute their fiduciary responsibilities to LGPS stakeholders, including scheme members and employers, as economically as possible.

- 2** Provide a range of asset types necessary to enable those participating Authorities to execute their locally-determined investment strategies as far as possible.

- 3** Enable the Councils to achieve the benefits of pooling investments, preserve the best aspects of what is currently done locally, and create the desired level of local decision making and control.

In order to achieve these objectives, the Councils have established a set of governing principles.

The governing principles are summarised below:

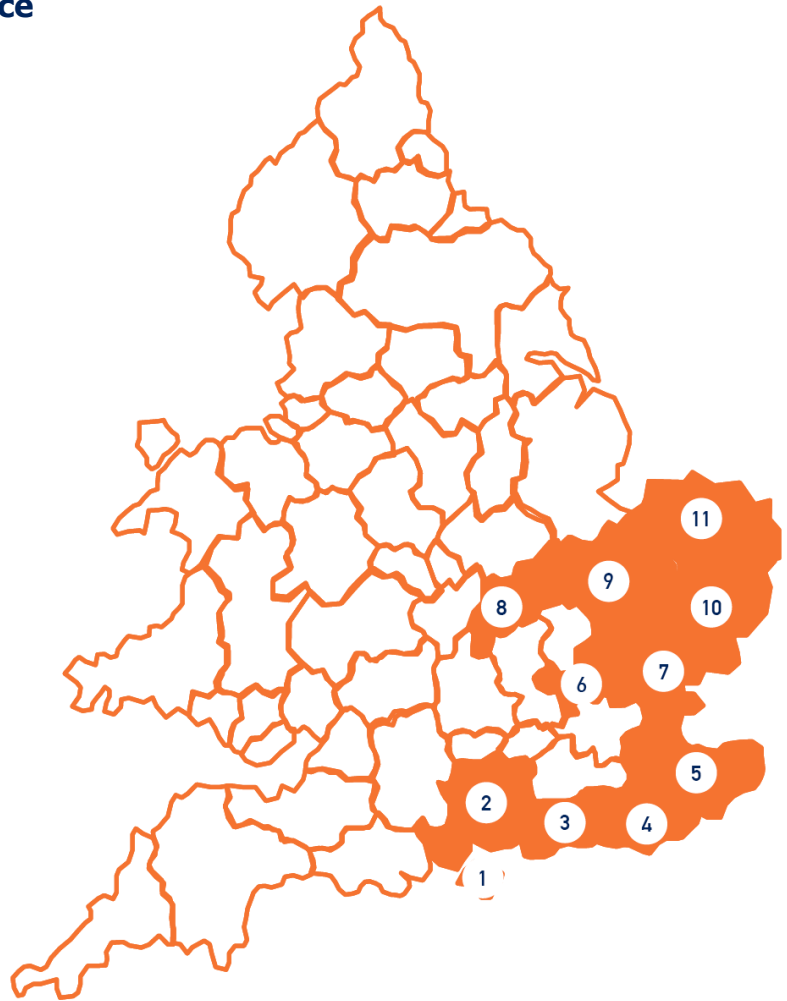
- Collaboration
- Objective evidence based decisions
- Professionalism
- No unnecessary complexity
- Value for money
- Risk management
- Equitable voice in governance
- Equitable cost sharing
- Evolution and innovation

Implicit within the above principles is the democratic accountability and fiduciary duty of the Councils as Administering Authorities.

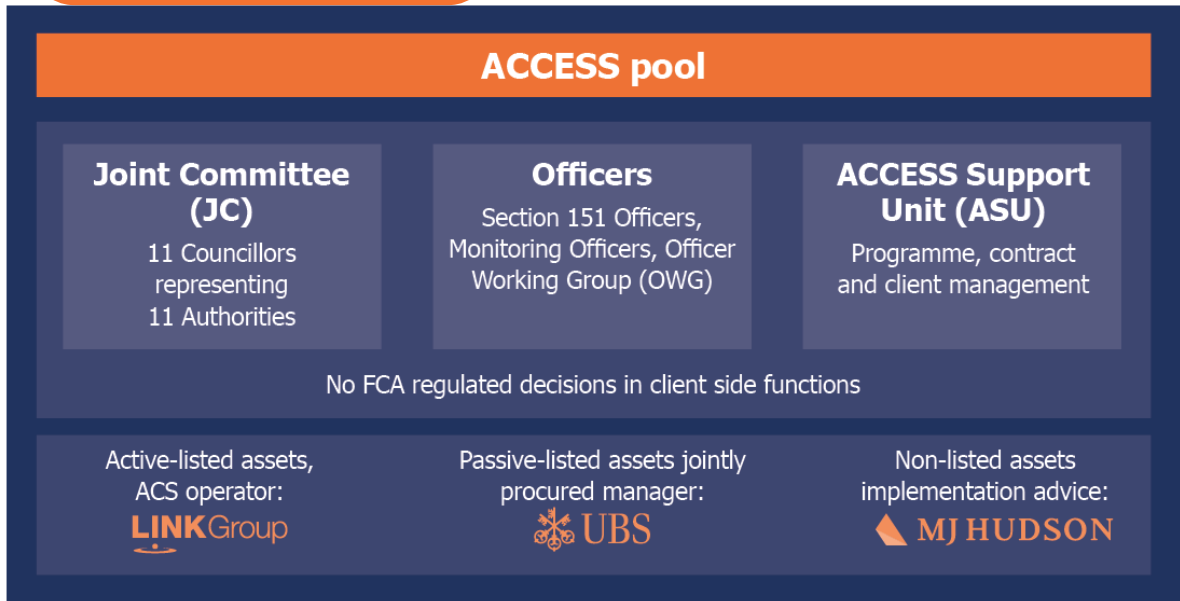
ACCESS LGPS Authorities

An overview of the Pool's governance structure is outlined below.

- | | | | |
|---|--|----|---|
| 1 |  | 7 |  |
| 2 |  | 8 |  |
| 3 |  | 9 |  |
| 4 |  | 10 |  |
| 5 |  | 11 |  |
| 6 |  | | |



3,500 Employers
1.1 million Members
310,000 Pensioners



Key Performance

Pooled Assets
As at March 2022

ACS (26 sub-funds)

£23.9_{bn}

UBS (1 jointly procured provider)

£11.2_{bn}

Pooling Progress

59%

Costs & Savings
As at March 2022

Gross Savings

£70.3_m

Costs

£21.4_m

Net Savings

£48.9_m

Savings

A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the eleven Authorities.

2021/22 saw an underspend primarily due to lower than anticipated costs of external advice combined with an underspend in the technical lead recharge costs.

The table below summarises the financial position for 2021/22 along with the cumulative position since the commencement of ACCESS activity in early 2016.

	2021– 2022		2021 – 2022	
	Actual In Year £'000	Budget In Year £'000	Actual Cumulative to date £'000	Budget Cumulative to date £'000
Set Up Costs	-	-	1,824	1,400
Transition Costs	2,664	4,408	3,338	6,907
Ongoing Operational Costs	1,046	1,247	4,117	4,795
Operator & Depositary Costs	4,845	4,787	12,149	11,364
Total Costs	8,555	10,442	21,428	24,466
Pool Fee Savings	28,038	15,700	70,300	47,750
Net Savings Realised	19,483	5,258	48,872	23,284

A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the eleven Authorities. 2021/22 saw an underspend primarily due to lower than anticipated costs of external advice combined with an underspend in the technical lead recharge costs.

Operator and depositary fees are payable by each Authority in relation to assets invested within the Authorised Contractual Scheme established by Link Fund Solutions as pool operator.

The 2021/22 fee savings have been calculated using the CIPFA price variance methodology and based on the average asset values over the year. This approach highlights the combined level of investment fee savings, across all ACCESS Authorities stemming from reduced charges.

In summary, since inception ACCESS has demonstrated excellent value for money, maintaining expenditure broadly in line with the original submission to Government whilst delivering an enhanced level of savings ahead of the timeline contained in the original proposal.

2021-2022 Business Plan Milestones

The Business Plan for 2021-22 was proposed by the ACCESS Joint Committee in January 2020 to the 11 LGPS Authorities.

Actively managed listed assets:

Further progress was made in pooling active listed assets within the Authorised Contractual Scheme (ACS) managed by the Pool's appointed Operator, Link Fund Solutions. Between July 2021 and February 2022, a further four sub-funds were launched.

Link's appointment of BlackRock expands the UK Equity capacity within the Pool, the appointment of Macquarie broadens the Global Equity coverage whilst the addition of ACS mandates for Fidelity and M&G extends the Fixed Income offering.

Six Authorities participated as original investors within these sub-funds which totalled £3.2bn.

Alternative/non-listed assets:

In January 2022, following a procurement via the National LGPS frameworks, ACCESS announced the appointment of MJ Hudson as implementation adviser for the pooling of illiquid assets including private equity, private debt, infrastructure and real estate.

As implementation advisor, MJ Hudson will provide support to the Pool in selecting individual investment opportunities and investment managers to build portfolios in a range of illiquid assets.

Passive assets:

Ongoing monitoring and engagement continued with jointly procured passive manager, UBS.

Responsible Investment Guidelines:

Last year, following a procurement via National LGPS frameworks, ACCESS appointed Minerva Analytics as Environmental, Social & Governance (ESG) adviser.

Having reviewed the ESG policies of and engaged extensively with officers from each of the 11 ACCESS Authorities, Minerva Analytics drafted revised and updated Responsible Investment (RI) guidelines for the Pool.

2022-2023 Business Plan

The Business Plan for 2022-23 was proposed by the ACCESS Joint Committee on 6th December 2021 to the 11 LGPS Authorities. This plan included:

Actively managed listed assets:

Further pooling active listed assets within the Authorised Contractual Scheme (ACS) managed by the Pool's appointed Operator, Link Fund Solutions which will include emerging market equity and further fixed income sub-funds.

Alternative/non-listed assets:

Launch of the Pool's first illiquid asset investment vehicles. MJ Hudson will be undertaking procurement exercises to appoint a UK Core Manager and a Global Real Estate allocator.

Initial work will commence on the planning for other illiquid asset investment platforms.

Passive assets:

Ongoing monitoring and engagement with jointly procured passive manager, UBS.

Responsible Investment Guidelines:

Following consultation with the ACCESS Authorities the updated Responsible Investment Guidelines will be published.

Work will commence on establishing criteria to develop a matrix to report on key performance indicators to demonstrate how the responsible investment guidelines have been implemented.

Environmental, Social & Governance

The ACCESS Authorities believe in making long term sustainable investments whilst integrating environmental and social risk considerations, promoting good governance and stewardship.

Whilst the participating authorities have an overriding fiduciary and public law duty to act in the best long-term interests of their LGPS stakeholders to achieve the best possible financial returns, with an appropriate level of risk they also recognise the importance of committing to responsible investment alongside financial factors in the investment decision making process.

Responsible Investment:

ACCESS appointed Minerva Analytics as its Environmental, Social & Governance (ESG) adviser. Following a review of the ESG policies, and engagement with officers from each of the Authorities Minerva Analytics drafted consolidated Responsible Investment (RI) guidelines for the Pool.

Following a period of consultation, it is expected that finalised Guidelines will be adopted by the Pool during 2022.

Voting:

The ACCESS pool has a set of voting guidelines which seeks to protect and enhance the value of its shareholdings by promoting good practice in the corporate governance and management of those companies.

The guidelines set out the principles of good corporate governance and the means by which ACCESS will seek its influence on companies. The voting activity is reported to the Joint Committee on a quarterly basis.

During the year ACCESS voted at 2,391 meetings on 32,834 resolutions.

Engagement:

Link Fund Solutions arranges regular sessions with the Investment Managers to present to the Authorities Pension Fund Officers to demonstrate how they implement environmental, social and governance into their investment strategy and decision-making process.

These also give the investment manager the opportunity to discuss the engagement activities they have undertaken, what constructive dialogue was had and how they have used their influence to encourage the adoption of best practice.

For any enquiries, please contact the Access Support Unit (ASU) on ASU@accesspool.co.uk

accesspool.org

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The Preliminary Audit Findings for Northamptonshire Pension Fund

Year ended 31 March 2022

Northamptonshire Pension Fund

November 2022



Contents



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Section

1. Headlines
2. Financial statements
3. Independence and ethics

Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees

Page

- 3
- 4
- 14
- 17
- 18
- 19
- 21

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

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Northamptonshire Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

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

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

Our audit work was completed remotely during June-September. Our findings are summarised on pages [x] to [x]. We have not identified any issues requiring an adjusting entry to the core financial statements. However, an unadjusted misstatement relating to timing delays in production of investment manager reports was identified. If adjusted, this would increase the value of the Fund's Net Asset Statement by £8.5m Management have opted not to amend as the value is not material. In addition, a small number of required disclosure amendments were identified. Further information on the above is provided at Appendix C. We have also raised one recommendation for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, subject to the following outstanding matters;

- completion of 20/21 audit and review by Grant Thornton of predecessor audit file (to obtain assurance over opening balances);
- receipt of management representation letter; and
- review of the Annual report
- review of the final set of financial statements.

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

Our anticipated audit report opinion will be unmodified. Given the likely timeline of sign off of the financial statements, a draft opinion and letter of representation will be shared with management and agreed for inclusion of the final version of the report to coincide with conclusion of the 21/22 audit of the administering authority.

2. Financial Statements

Overview of the scope of our audit

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

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

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

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

We have not had cause to alter our audit strategy, which was outlined in the plan presented to you on 25 July 2022.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved and a satisfactory review of the predecessor audit file, we anticipate issuing an unqualified audit opinion to coincide with completion of the 2021/22 audit of West Northamptonshire Council. These outstanding items include are outlined on page 3.

Given the likely timing delay on completion of the West Northamptonshire Council 21/22 audit and existing delays in completion of 20/21 Fund and Administering Authority audits, this report is currently indicative and, as such, we will include a draft opinion and Letter of Representation in our final AFR, to coincide with completion of the administering authority audit for 21/22.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. Both the engagement team and Fund staff have faced challenges stemming from the ongoing coronavirus pandemic, related staff sickness and the impact of the move to remote working in addition to the inherent challenges of a change of auditor. However, a good working relationship has been established, with working papers and supporting documentation supplied in a timely fashion and to a good standard.

2. Financial Statements

Pension Fund Amount (£) Qualitative factors considered

Materiality for the financial statements	33.6m	Materiality is calculated as approximately 1% of Net Assets per the draft accounts. We deem this to be a level above which errors or omissions would alter the economic decisions of users of the accounts.
Performance materiality	21.8m	Based on the internal control environment at the Fund we determined that 65%
Trivial matters	1.6m	We deem matters below 5% of materiality to be sufficiently, trivial not to warrant drawing to the attention of the Committee.



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.

Upon receipt and review of the draft financial statements, we revised materiality. Planning materiality reported to you in our Audit Plan on 25 July 2022 made assumptions around the impact of the ongoing conflict in Ukraine on global markets in the final quarter of 21/22 and attempted to set a prudent level of materiality against a possible downwards trend. Draft financials and our wider understanding of the sector suggested that, in practice, the impact was not as pronounced as anticipated and therefore our revised materiality was more appropriate.

We detail in the table below our determination of materiality for Northamptonshire Pension Fund.



2. Financial Statements - Significant risks

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

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

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

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of Level 3 investments

The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statement date.

By their nature, Level 3 investments valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

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

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

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

We have;

evaluated management's processes for valuing Level 3 investments;

reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments to ensure the requirements of the code are met;

independently requested year end confirmations from investment managers, with an additional focus on ensuring the use of appropriate IPEV (or equivalent) methodology in their valuation books, updated for most recent available guidance in relation to COVID-19;

for a sample of investments, tested the valuation by comparing the valuation per the General Ledger (typically based on investor statement as at the reporting date, or in the case of harder to value assets, the latest capital statement available adjusted for known cash movements in the final quarter of the year) to direct confirmation of capital balances from investment managers and, where available latest audited financial statements;

completed sample testing of purchases and sales to prime documentation across the period to support out reconciliation of the opening and closing balances;

analysed the Fund's holdings by sector, applying an additional layer of professional scepticism and challenge in relation to any assets with potential exposure to the pandemic or the impact of Brexit.

Per the results of our work, we are satisfied that management's process for estimating the valuation of Level 3 assets is sufficiently robust. We did not identify any instances where management did not have an appropriate basis for arriving at an estimate. A key challenge in this area is the impact of timing delays in valuation of assets. As a proportion of the Level 3 assets are held in the **Net Assets Statement at their 31 December valuation adjusted for known cash movements, there will inevitably be a variance between the Net Asset Statement and the valuations per the final 31 March capital statements, which typically are received during the course of the audit. Having assured ourselves of the reliability of valuations provided by the Investment Managers by, as described above, reviewing investor statements at the audited accounts date to gain an independent assessment of the valuations on a sample basis, we were then able to quantify the impact of this timing variance on the financial statements – this has resulted in an identified unadjusted misstatement of £8.5m This is not material but above our trivial threshold and therefore we are required to report the value to members of the Committee. Management have opted not to amend on the grounds of materiality. In our view, this is an acceptable stance – the balance is an estimate which has an inherent level of uncertainty. Our work has indicated that we can take reasonable assurance that the value is not materially misstated. As referred to previously, this is a function of the nature of LGPS Funds and therefore not attributable to any control weaknesses within the organisation.**

Our audit work has not identified any issues in respect of the valuation of Level 3 investments, pending resolution of a small number of queries as outlined on page three. We will update members via our final AFR, to be released on conjunction with the signing of the audit opinion upon completion of the prior period Fund audit and the 21/22 West Northamptonshire Council audit.

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £638m	<p>The Pension Fund holds a quantity of investment assets which are deemed to be “hard to value” (also referred to as Level 3 within the IFRS Fair Value hierarchy). These are typically funds holding private equity, infrastructure and property assets. In total these are valued on the balance sheet as at 31 March 2022 at £638m.</p> <p>These investments are not traded on an open exchange or market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management obtains periodic valuations of these assets prepared by its fund managers. The Fund also works with advisors who take an independent view of the Fund's overall performance against the market, enabling management to identify and challenge outliers if possible. Management also obtains Service Auditor Reports for its investment managers and audited accounts for individual funds where available to add a further layer of independent assurance to the valuations provided.</p> <p>The value of the Fund's holding of level 3 assets has increased by approximately £202m (PY; £436m). Part of this movement can be explained by a reclassification of assets which were previously classified as level 2 into the level 3 population and a net increase of assets of this type via investment purchases. However, we also note an increase attributable to market movements of £103m. This is consistent with our wider understanding of market conditions, as, despite an element of increased uncertainty stemming from the conflict in Ukraine in the final quarter, asset classes such as property and private equity holdings recovered as pandemic related issues began to alleviate.</p> <p>As noted earlier in the report, due to the nature of these assets, valuations are frequently received in arrears and, as such, per the Fund's accounting policies a number of assets are held at the December 31 valuation (or similar), adjusted for known cash movements such as purchases or distributions. As such there will inevitably be a variance noted when management's estimate is compared to actual March 31 valuations received post year end. Working with management, we have been able to quantify this in full, noting a positive variance of £8.5m between management's estimated valuation as at the balance sheet date and updated valuations using more current investor statements. Management have not amended the accounts for this due to its non material nature.</p>	<p>Based on the substantive work performed, our view is that management's process for estimating the value of these assets is appropriate.</p> <p>The variance noted is in line with our expectations based on our understanding of similar bodies in the sector and we do not deem it to be indicative of a control weakness internally.</p>	

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Level 2 Investments – £2,602m</p>	<p>The Pension Fund have investments in various pooled investment vehicles and other funds that in total are valued on the balance sheet as at 31 March 2022 at £2,602m.</p> <p>Some of the investments are not traded on an open exchange or market and the valuation of the investment is subjective. In other cases, the valuation is an aggregate of a number of underlying assets and, as such, the valuation is opaque. In order to determine the value, management uses figures provided by investment managers, supplemented by reviews of Service Auditor Reports, Audited financial statements and other market data as relevant. The value of the Fund's holding of level 2 assets has decreased by £80m approximately in 2021/22 due to a combination of reclassification of assets as level 3 and a move to holding a larger balance of level 1 cash and cash equivalents.</p>	<p>We noted not concerns around management's processes for estimating the value of level 2 assets.</p>	

Assessment

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

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

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

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

2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have not been made aware of any material or other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Fund in conjunction with our final sign off of the Pension Fund accounts. We do not anticipate that any specific representations will be included in relation to particular areas of the accounts. We will agree a draft document with management for inclusion in the final Audit Findings Report.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Fund's banking and investment management partners. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements



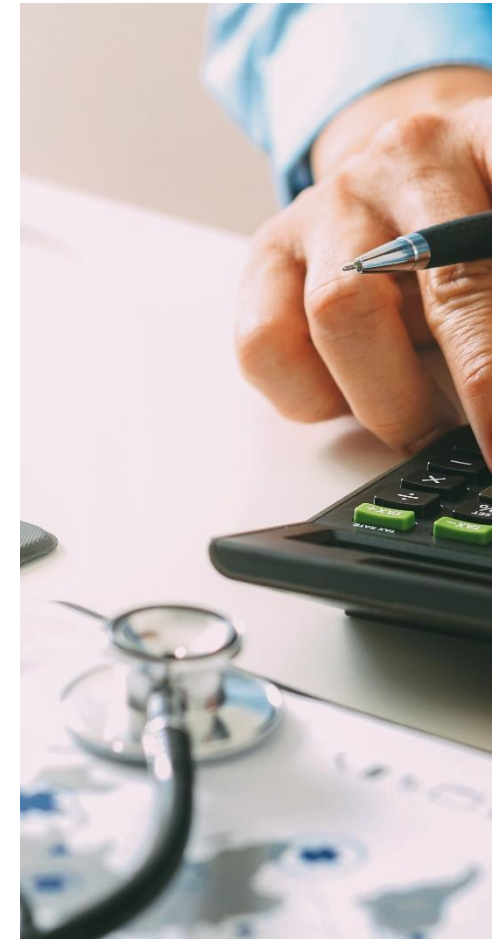
Our responsibility

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

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

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Disclosures	A small number of issues have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect. Further details of disclosure amendments are included in Appendices A - C
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines the Pension Fund Annual Report is not required to be published until 1 December 2022 and therefore this report has not yet been produced. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the administering authority until this work has been completed.



3. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged and mitigations in relation to possible threats to independence as a result of fees for non audit work are detailed in Appendix D

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

3. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
IAS 19 Assurance letters for Admitted Bodies	£10k + £1k per individual IAS 19 letter*	Self-interest (as a result of the recurring fee).	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work will be small in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

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

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

Appendices

A. Action plan – Audit of Financial Statements

We have identified one recommendation for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
	<p>During the course of the audit, we noted some delays in receipt of declarations of interest from members of the Pensions Committee and others with a governance link to the Fund. It is important to ensure that these returns are received and reviewed promptly to prevent the possible omission of disclosure of a previously unidentified related party which may alter the understanding of readers of the accounts.</p>	<p>The Fund should work proactively with partners within the administering authority and other stakeholders to ensure that all returns are received and reviewed promptly.</p> <p>Management response</p> <p>Officers sent initial requests in February and unfortunately did not have all forms returned in time for the onsite audit, there was one case where we did not receive the declaration after multiple chases. Officers will raise with the Chair of the Pension Committee to underline the importance of the returns. Officers will continue to work proactively with partners and administering authority to ensure that all returns are received and reviewed promptly.</p>

Controls

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

B. Follow up of prior year recommendations

The Auditing Standards require us to report to you on the follow up of any issues identified or recommendations raised during the prior period audit. We note that no recommendations were included in the predecessor auditor's ISA 260 report and, as such, we have nothing to report in this respect.

Assessment

Action completed

Not yet addressed

C. Audit Adjustments

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

Disclosure omission	Auditor recommendations	Adjustment Agreed?
Per the draft accounts, capital commitments were understated by £32m (draft figure £149m, actual £181m). This is a disclosure issue only and has no impact on the Fund's financial position.	<p>Disclosure should be amended.</p> <p>Management response</p> <p>Disclosure has been amended. Improved processes on working papers are being made for the 2022-23 year end.</p>	✓
Audit procedures noted that cash and cash equivalents should be included within the Fair Value Through profit and Loss section of the Fair Value hierarchy within note 16.	<p>Disclosure and comparators should be restated and included in the Prior Period Adjustment note. Accounting policies should also be updated to include a general Prior Period Adjustment policy.</p> <p>Management response</p> <p>Disclosure change due to difference in approach from the Fund's previous auditors. A prior period adjustment note and accounting policy have been included in the 2021-22 accounts.</p>	✓
Key Management Personnel disclosures within the draft accounts included closing balances within the long term benefits line as opposed to the movement in year.	<p>Disclosure should be updated.</p> <p>Management response</p> <p>Disclosure has been amended. Improved processes on working papers are being made for the 2022-23 year end.</p>	✓
Additional disclosures in relation to the nature of the ACCESS Joint Committee should be included to aid the understanding of users of the accounts.	<p>Additional narrative around the nature of governance arrangements of the pool should be included. .</p> <p>Management response</p> <p>An additional note has been included in the accounts (Note 28) to explain the administration and governance of the ACCESS pool.</p>	✓
Investment assets with a value of £58m were reclassified from Level 2 to Level 3 within the Fund's Fair Value disclosures. The final accounts should include a Prior Period Adjustment note detailing the amendment.	<p>An additional prior period note should be included.</p> <p>Management response</p> <p>Disclosure change due to difference in approach from the Fund's previous auditors. Assets have been reclassified for prior and current year and a prior period note has been included to explain the changes to classifications.</p>	✓
Following audit review it was determined that disclosures around actuarial inflation assumptions should be enhanced to aid understanding of users of the accounts.	<p>Additional narrative should be included..</p> <p>Management response</p> <p>Narrative has been included in the accounts that inflation is substantially higher at 31 March 2022 than 31 March 2019 and this will be reflected at the next formal triennial valuation.</p>	✓
Draft Related Parties disclosures initially overstated contributions from the administering authority by £22.2m. Debtors were overstated by £1.5m. The disclosures initially included values from North Northamptonshire Council	<p>Administering Authority contributions should be adjusted downwards from £45.8m to £23.6m and Related Party debtors from £1.9m to £0.4m</p> <p>Management response</p> <p>The system has been updated to show that only West Northants is the Administering Authority and the disclosure has been amended.</p>	✓

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements which were sufficiently significant to warrant drawing the Committee's attention to on an individual basis. A small number of clerical and minor disclosure issues were also identified and amended.

C. Audit Adjustments



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Pension Fund Account £	Net Asset Statement £	Impact on total net assets £	Reason for not adjusting
As described earlier in the report, some of the Fund's hard to value assets are valued on a time lag basis, with the value in the accounts reflecting an investor statement balance prior to the balance sheet date adjusted for known cash movements.	(8.5m)	8.5m	8.5m	Not material.
Following audit procedures we were able to quantify this timing variance as £8.5m. This is not material and, as such, management have opted not to amend. It is above our trivial threshold and therefore we are required to draw the attention of members to the issue. In our view, this does not constitute a control weakness at the Fund as management's process for calculating the estimate has not resulted in a material misstatements.				
Overall impact	(8.5m)	8.5m	8.5m	

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements noted by the predecessor auditors in the prior period.

D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services. There are no reconciling items between the fees as stated here and the values recorded in the financial statements.

Audit fees	Proposed fee	Final fee
Pension Fund Audit	£51,000	£51,000
Total audit fees (excluding VAT)	£51,000	£51,000

Non-audit fees for other services	Proposed fee	Final fee
IAS 19 assurance for member employers	£9,000	£10,000 (plus £1k per individual request upon receipt)
Total non-audit fees (excluding VAT)	£9,000	TBC





WEST NORTHAMPTONSHIRE COUNCIL AUDIT AND GOVERNANCE COMMITTEE

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

Contributors/Checkers/Approvers

West MO	Cath Whitehead	17 th January 2023
West S151	Martin Henry	13 th January 2023

List of Appendices

Appendix 1 – Internal Audit progress report 2022-23 – EXEMPT

Appendix 2 – Audit action tracker - EXEMPT

1. Purpose of Report

- 1.1 The purpose of this report is to provide an update on work delivered by the Internal Audit team up to 31 December 2022.

2. Executive Summary

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

3. Recommendations

- 3.1 It is recommended that the Committee receive and endorse this progress update.

4. Reason for Recommendations

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

5. Report Background

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

6. Issues and Choices

Internal audit and grant certification

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

Audit stage	
Not started	2
Planning stage	3
Fieldwork in progress	5
Draft report	6
Completed	17
Total	33

6.2 We continue to make good progress against the audit plan, both with audit assurance work and grant certifications. Since our last report we have issued a Limited assurance report relating to Taxi Licensing services, specifically relating to inconsistencies in the systems operated across the district licensing teams. We are aware that the service are working to update the policy and are monitoring this.

6.3 We are in the process of completing an interim report for the S106 process. This was initially an audit but in determining the terms of reference we identified that the service is still in a period of transition and a support report would better support service improvement. We have worked closely with service management and will continue to do so.

Audit actions

6.4 Upon audit sign off agreed actions are transferred to the action tracker (attached as appendix 2) and these actions are followed up with operational teams. We have a significant number of overdue actions (31%) and are working to establish the current status of these.

6.5 We currently have 164 actions on the tracker which fall into the following categories:

Classification		Essential action	Important action	Standard action
Completed	40	4	33	3
Not yet due (this would include recommendations where an extension has been agreed)	64	17	36	11
Transferred to follow up audit (all limited assurance audits to have a follow up planned, usually within 12 months)	9	5	3	1
Overdue - no management response received	51	6	40	5
Total	164	32	112	20

Counter fraud activity

- 6.6 A large proportion of our work is investigative either because of allegations notified to the team and the results of data matching activity. In 2022-23 we have received 165 referrals, with over 60% coming from employees of the Council. Many of our investigations relate to housing services and, where fraudulent activity is identified, the outcome is either housing applications being withdrawn, downgraded or refused, or properties being recovered.
- 6.7 We engage with the Cabinet Office National Fraud Initiative biannual data matching exercise and all required data has been submitted. Matches are due early in 2023 and we will evaluate these as they are received.
- 6.8 We have undertaken an NFI housing data matching pilot which has identified 177 potentially fraudulent matches. These have been investigated and no evidence of fraud has been found.

Team update

- 6.7 We are currently undertaking a review of the service to ensure that we are resourced effectively and can deliver financial savings to support the Council's 2023-24 budget.

7. Implications (including financial implications)

7.1 Resources and Financial

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

7.2 Legal implications

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

7.3 Risk

- 7.3.1 There are no risks directly related to the service.

7.4 **Consultation**

7.4.1 No consultation is required

7.5 **Consideration by Overview and Scrutiny**

7.5.1 No Overview and Scrutiny comments

7.6 **Climate Impact**

7.6.1 There are not direct climate or environmental implications

7.7 **Community Impact**

7.7.1 There is no community impact

7.8 **Communications**

7.8.1 There are no recommended communications

8. Background Papers

8.1 Previous Internal Audit reports to Committee.



WEST NORTHAMPTONSHIRE COUNCIL

AUDIT AND GOVERNANCE COMMITTEE

Report Title Annual Governance Statement 2021-22

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

Contributors/Checkers/Approvers

West MO	Cath Whitehead	17 th January 2023
West S151	Martin Henry	13 th January 2023

List of Appendices

Appendix 1 – Annual Governance Statement 2021-22

Appendix 2 – CIPFA Governance Framework

1. Purpose of Report

- 1.1 The purpose of this report is to provide an update on the Annual Governance Statement 2021-22.

2. Executive Summary

- 2.1 The Annual Governance Statement (AGS) is a review of our activities to ensure the Council is carrying out its functions effectively and is produced in line with the governance framework detailed in the CIPFA Delivering Good Governance Framework. The Council's Code of Corporate Governance ([WNC Code of Governance](#)) details the policies, procedures, behaviours and values by which the Council is controlled and governed. The AGS is attached as Appendix 1, and the CIPFA Framework as Appendix 2.

3. Recommendations

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

4. Reason for Recommendations

4.1 The Audit and Governance Committee is responsible for:

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

5. Report Background

5.1 The AGS has been produced by the Internal Audit service, with the initial review being completed by the Local Government Shared Service audit team. The AGS is reviewed and signed by the Leader and Chief Executive of the Council and forms part of the statutory accounts which are reviewed by the Council's external auditors.

6. Issues and Choices

6.1 The governance of the Council is set out in the Code of Corporate Governance and is in line with the following principles:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- D. Determining the intervention necessary to optimise the achievement of the intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F. Managing tasks and performance through robust internal controls and strong public financial management.
- G. Implementing good practices in transparency, reporting and audit, to deliver effective accountability.

6.2 The AGS seeks to determine measures the Council has in place to deliver and support the core principles.

As part of the review process Executive Directors were asked to consider the governance of their area, identify weaknesses, and provide action plans to ensure issues are rectified. The issues are summarised below, and the detailed action plans are in Annex A of the AGS:

- Executive Director Finance
 - Concerns about issues inherited in respect of practices and subsidy issues with Revenues and Benefits from predecessor authorities (particularly under the previous lead authority model).
- Deputy Chief Executive and Executive Director for Adults, Communities and Wellbeing
 - Billing interfaces do not match between ERP Gold and Abacus.
 - There is a large volume of queries relating to invoices raised where current resources cannot commit to supporting debt recovery action.

6.3 Next Steps

- 6.3.1 The AGS is often delivered as an annual activity but is more effective when it forms part of a wider governance assurance framework. In order to support the governance process the Director of Legal and Democratic and Monitoring Officer has developed a Governance Strategy group to further develop the Council's framework.
- 6.3.2 As there are plans to develop the AGS going forward the Chief Executive and Leader of the Council will be asked to attend a future meeting to comment on future Annual Governance Statements. This is seen as good practice and demonstrates the committee's desire to continually seek to improve processes and practices.
- 6.3.2 The action plan detailed in Annex A of the AGS should be reviewed to ensure that they have been implemented. Updates on the action plan will be included in the 2022-23 AGS.

7. Implications (including financial implications)

7.1 Resources and Financial

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

7.2 Legal implications

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

7.3 Risk

- 7.3.1 The AGS supports the Council's governance process which is included in E12 Corporate governance risk, with an overall residual risk score of 6 (inherent risk score 16)

7.4 Consultation

- 7.4.1 No consultation is required

7.5 Consideration by Overview and Scrutiny

- 7.5.1 No Overview and Scrutiny comments

7.6 Climate Impact

- 7.6.1 There are not direct climate or environmental implications

7.7 Community Impact

- 7.7.1 There is no community impact

7.8 **Communications**

7.8.1 There are no recommended communications

8. Background Papers

8.1 There are no background papers



**West
Northamptonshire
Council**

Annual Governance

Statement

2021-22



Context

This is the first Annual Governance Statement (AGS) for West Northamptonshire Council (the Council) following the closure of Northamptonshire County Council, Daventry District Council, South Northamptonshire Council and Northampton Borough Council.

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

Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment in operation within the Council for 2021-22. The journey of improvement will continue through 2022-23 and further, towards a sustainable basis for the organisation as a new Unitary Council.

Councillor Jonathan Nunn
Leader of West Northamptonshire Council

Anna Earnshaw
Chief Executive

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The Purpose of the Governance Framework

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

The Council also has a duty under the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council approved a Local Code of Corporate Governance on 29 Sept 2021 ([WNC Code of Corp Governance](#)), which is underpinned by the CIPFA / SOLACE Delivering Good Governance in Local Government; Framework and is comprised of policies, procedures, behaviours and values by which the Council is controlled and governed. The Council recognises that good governance leads to good management, good performance, good stewardship of public funds, good public engagement and to good outcomes for citizens and service users. Failure to deliver this undermines the confidence of the public in our ability to deliver services and lead fairly and effectively in community matters. Good corporate governance requires the Council to be open, transparent, effective, inclusive of all sectors of the community, accountable to the public it serves and to demonstrate integrity.

The governance framework comprises the systems and processes, culture, and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its priority outcomes and to consider whether those have led to the delivery of appropriate, cost-effective services.

The Council's Code sets out 7 key principles:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the intervention necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity including the capability of its leadership and the individuals within it
- F. Managing tasks and performance through robust internal controls and strong public financial management
- G. Implementing good practices in transparency, reporting and audit, to deliver effective accountability

The Governance Framework

The Governance Framework was in place at the Council for the year ended 31 March 2022 and up to the date of publication of the Annual Report and Statement of Accounts.

In the light of the Northamptonshire County Council's Best Value Report, the County Council s114 Notices and creation of the new Unitary Councils, the Code of Corporate Governance ensured the 'policy or framework' issues that remained throughout the challenging change agenda to March 2021 were reviewed and consolidated within the new Unitary Councils from 1 April 2021.

The creation of the Council included consultation with its communities to inform the production of the 2021-25 Council Plan approved by Cabinet on 8 June 2021 ([WNC Corporate Plan FINAL](#)). The Plan identified 6 priorities:

- 1) Green and Clean
- 2) Improved Life Chances
- 3) Connected Communities
- 4) Thriving Villages and Towns
- 5) Economic Development
- 6) Robust Resource Management

Roles and Responsibilities of Members and Officers

The Council is composed of 93 members elected every four years. Since May 2021 the Council has had the following political breakdown:

Conservative	65
Labour	20
Liberal Democrats	5
Independent Group	2
Independent	1
	93

The Council operated a Cabinet and elected Leader model of decision making, supported by open and accountable working relationships between members and officers. The Council had an agreed Constitution which sets out how it operates, how decisions are made and the procedures which are to be followed to ensure that these are efficient, transparent, and accountable to local people. This includes the defined responsibility for functions including the scheme of delegation, rules of procedure including financial regulations and contract procedure rules and Member and Officer Codes of conduct.

The Council's Committee structure is:

- Full Council
- Executive
 - Cabinet
 - Planning Policy Committee
- Scrutiny
 - Coordinating Overview and Scrutiny Group
 - Corporate Overview and Scrutiny Committee
 - People Overview and Scrutiny Committee
 - Place Overview and Scrutiny Committee
- Joint Arrangements
 - Children's Trust Joint Committee
 - Northamptonshire Police, Fire and Crime Panel
 - PATROL Adjudication Joint Committee
 - West and North Shared Services Joint Committee
- Non-Executive – Governance Committees
 - Audit & Governance Committee
 - Democracy and Standards Committee
 - Democracy and Standards Hearing Sub-Committee
 - Investment Sub-Committee
 - Pensions Committee
 - Senior Appointments Committee
- Non-Executive Regulatory Committees
 - Daventry Local Area Planning Committee
 - Licensing Committee
 - Licensing Sub-Committee
 - Northampton Local Area Planning Committee
 - South Northamptonshire Local Area Planning Committee
 - Strategic Planning Committee
- Non-Executive Community Committees
 - Local Pension Board
- Non-Executive People Committees

- West Northamptonshire Health and Wellbeing Board
- West Northamptonshire Schools Forum
- Community Forums
 - Disabled People's Forum
 - Diverse Communities Forum
 - LGBTQ People and Allies Forum
 - Pensioners Forum
 - Women's Forum
 - Youth Forum

The Council's Executive Leadership Team for the financial year 2021-22 is set out below:

- Chief Executive. Statutory role: the Council's Head of Paid Service. To ensure that all the authority's functions are properly co-ordinated as well as organising staff and appointing appropriate management (Local Government and Housing Act 1989)
- Deputy Chief Executive and Executive Director for Adults, Communities and Wellbeing
- Transformation Director
- Executive Director Finance. Statutory role: the Council's section 151 Officer. To make arrangements for the proper administration of the Council's financial affairs, also known as a Chief Financial Officer (CFO) and to have responsibility for those arrangements. As such, the CFO must lead on a local authority's financial functions and ensure they are fit for purpose. CFOs must be professionally qualified and suitably experienced (Local Government Act 1972 / Local Government Finance Act 1988)
- Executive Director Corporate
- Executive Director Place and Economy
- Director Children's Services
- Director of Legal and Democratic (the Council's Monitoring Officer)
- Director of Public Health

In addition to the statutory roles above, the Council's Monitoring Officer has a responsibility to report on matters they believe to be illegal or amount to maladministration, to be responsible for matters relating to the conduct of councillors and officers and, to be responsible for the operation of the council's constitution (Local Government and Housing Act 1989)

Review of effectiveness

The review of effectiveness is informed by the work of the Executive Leadership Team in maintaining the effectiveness of the governance framework and by the work of Internal Audit. The table below sets out the results of the annual review of effectiveness and demonstrate how the Council has complied with the CIPFA / SOLACE framework principles.

Principle	Assessment of effectiveness 2021/22
<p>Core principle A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p>	<p>Arrangements are in place to provide assurance that our values are upheld, and that members and officers demonstrate high standards of conduct and behaviour. These include:</p> <ul style="list-style-type: none"> • Officer code of conduct <ul style="list-style-type: none"> ○ The Employee Code of Conduct sets out managers’ responsibilities to bring the Code to the attention of their staff (through induction, training, and instruction) and their responsibility to take appropriate action if an employee fails to follow the Code. The Code includes a requirement for officers of the Council to declare any conflicts of interest and/or gifts or hospitality, which should be formally registered. • Councillor code of conduct. <ul style="list-style-type: none"> ○ The Councillor Code of Conduct defines the standards of conduct expected of elected representatives including a requirement for members to declare any interests at the start of every meeting, which are recorded in a public register. ○ A Democracy and Standards Committee and a Democracy and Standards Hearing Sub-Committee was in in place to review any complaints regarding members and to promote high standards of conduct and observance of the Members’ Code of Conduct. ○ The process for dealing with Complaints against members is set out in the Council’s Constitution and Independent Members have been appointed in accordance with the process. • Whistleblowing policy <ul style="list-style-type: none"> ○ This policy outlines how issues can be raised internally, and if necessary, outside the management structure. It documents our assurance that concerns will be seriously considered, and appropriate action taken. • New member and employee induction <ul style="list-style-type: none"> ○ A member induction for new members and for new members to the West Northamptonshire Council took place in May 2021. Member development sits within the remit of the Democracy and Standards Committee which reviews the need for training, identifies any mandatory training and reviews attendance at mandatory training events. ○ The employee induction programme provides relevant information which focuses on knowledge, skills, and behaviours • Equality, diversity, and inclusion

	<ul style="list-style-type: none"> ○ Values and procedures to empower our Council and to build a culture of trust and respect for all
<p>Core principle B Ensuring openness and comprehensive stakeholder engagement</p>	<ul style="list-style-type: none"> ● Employee engagement <ul style="list-style-type: none"> ○ An employee survey was undertaken to enable staff to help to shape the Council ○ All employees have regular VIP (Valuing Individual Performance) conversations to deliver a continuous appraisal process ● Document availability <ul style="list-style-type: none"> ○ The Council has a Code of Corporate Governance which sets out the key documents of the Council. There is also a web page which provides key documents in relation to our openness and transparency. ○ All Committee papers are publicly accessible other than those which are exempt under the relevant legislation. The Council also webcasts all Council and Cabinet meetings so they can be live viewed by publicly. ● Partnership arrangements <ul style="list-style-type: none"> ○ The Council (Constitution section 6) maintains joint / partnership arrangements designed to ensure effective governance arrangements operate in partnerships in which the Council was engaged and their risk effectively managed. The Council also operated a Protocol for the Appointment of Councillors and Officers to Outside Bodies ● Requests for Information <ul style="list-style-type: none"> ○ The Council had a dedicated Information Governance team which deals with requests for information under the Freedom of Information Act; the Environmental Information Regulations and Subject Access Requests which ensured compliance with requests for information. ● Complaints procedure <ul style="list-style-type: none"> ○ The Council has arrangements in place for complaints to be made and investigated
<p>Core principle C Defining outcomes in terms of sustainable economic, social, and environmental benefits</p>	<ul style="list-style-type: none"> ● Corporate Plan 2021 to 2025 <ul style="list-style-type: none"> ○ A strategy to ensure West Northamptonshire is a great place to live, work, visit and thrive ○ Providing a clear framework for the Council to determine priorities and actions ● Sustainability <ul style="list-style-type: none"> ○ The Council's sustainability intentions cover environmental, social, and economic issues ○ Alongside the Council's Net Zero by 2030 commitment, residents and businesses are invited to make a sustainability pledge and given help to achieve this ● Budget 2021/22 <ul style="list-style-type: none"> ○ The Council is committed to delivering a robust and achievable financial plan, which enables services to deliver

<p>Core principle D Determining the interventions necessary to optimise the achievement of intended outcomes</p>	<ul style="list-style-type: none"> • Executive Leadership Team (ELT) <ul style="list-style-type: none"> ○ ELT met weekly as the main officer decision-making body and works alongside the councillors. ELT was responsible amongst other things for: <ul style="list-style-type: none"> ○ Managerial leadership and direction of the Council. ○ Providing the formal response to Cabinet policy direction and the development of corporate policy and initiatives for Cabinet consideration; and ○ Co-ordination and commissioning of council-wide activity, planning, programme management. • Transformation monitoring <ul style="list-style-type: none"> ○ Quarterly monitoring of transformation plans enables the Council to consider progress and actions required • Progress monitored against corporate plan <ul style="list-style-type: none"> ○ Quarterly corporate performance report, reflective of the range of services that the Council provides and progress against delivery of our major change programmes. ○ Considered by the Executive Leadership Team to enable corrective action to be taken ○ These reports were also presented to Cabinet which gives both Cabinet and the public an insight into the Council's overall performance. • Risk management <ul style="list-style-type: none"> ○ The Council's risk management process is monitored by the Audit and Governance Committee, with regular updates on corporate risks ○ Deep dive reports are provided to ensure that suitable rigour is applied • Financial management <ul style="list-style-type: none"> ○ Monthly budget monitoring with a requirement for all managers to return forecasts ○ Management reports to ELT and Cabinet
<p>Core principle E Developing the entity's capacity, including the capability of its leadership and the individuals within it</p>	<ul style="list-style-type: none"> • Formal performance appraisal and development programme <ul style="list-style-type: none"> ○ Regular VIP conversations through which the development needs of staff are identified and met as appropriate. • Induction programme <ul style="list-style-type: none"> ○ Induction programme for new staff, including guidance for managers • Councillor training <ul style="list-style-type: none"> ○ Councillors' right to training and development is specified in the Constitution. A formal induction programme was arranged for new councillors and councillors new to the Council. The Democracy and Standards Committee is responsible for reviewing the need for Member development. ○ In-house training and development activities are organised for Councillors to meet identified needs. Councillors also had access to external training and development opportunities.

	<ul style="list-style-type: none"> ○ Online guidance is provided ● Learning and Development A range of courses and opportunities to support continuous development; these include Mandatory Learning, Leadership, Management, IT Business Systems, Social Care and Social Work training.
<p>Core principle F Managing risks and performance through robust internal control and strong public financial management</p>	<ul style="list-style-type: none"> ● Internal control <ul style="list-style-type: none"> ○ All Directors and Assistant Directors had responsibility for maintaining a sound system of internal control within their area of responsibility and provide an Annual Assurance Statement confirming the adequacy of the governance arrangements in their area. ● Budget and Financial Management <ul style="list-style-type: none"> ○ The Council approved a formal budget and medium-term financial plan on 23 February 2021 via the Shadow Executive Authority. ○ During the year, financial management information is reported to Directorate Management Teams, Executive Leadership Team, Cabinet and Scrutiny. ● Risk management <ul style="list-style-type: none"> ○ The Council had an approved risk management strategy that set out a corporate risk appetite that is not risk averse but seeks to support decision making that consider threats and identifies mitigations to ensure opportunities are seized and delivered. ○ Risk reports were submitted and reviewed by the Executive Leadership Team meeting throughout the year and the Audit & Governance Committee review that information including the detailed examination of some specific risks.
<p>Core principle G Implementing good practices in transparency, reporting and audit to deliver effective accountability</p>	<ul style="list-style-type: none"> ● The Council's Constitution sets out the governance, controls, and processes applicable across the Council. ● The Leader and Cabinet (Constitution section 5) were responsible for all executive decisions other than those delegated to Officers. The Cabinet exercises the Council's executive functions, receives reports and recommendations from other Overview and Scrutiny Committees and formulates recommendations in relation to the budget and policy framework to Council ● Forthcoming key decisions by the Cabinet were published in the Cabinet's Forward Plan. The Forward Plan is reviewed regularly by the Executive Leadership Team and Co-ordinating Overview and Scrutiny Group. ● The Council / Cabinet also delegates executive decisions and operational delivery via a formal scheme of delegation to officers as defined within section 9.2 of the Constitution. ● The Council maintained an Overview and Scrutiny function as defined within section 7 of the Constitution.

	<ul style="list-style-type: none">• The Council maintained a Democracy and Standards Committee to review the Council's governance arrangements and recommend changes to the Council's Constitution to Council.• The Council maintained an Audit & Governance Committee whose purpose is to:<ul style="list-style-type: none">- Provide independent assurance as to the Council's governance, risk management framework and associated control environment.- Provide independent scrutiny of the Council's financial and non-financial performance and oversee the Council's financial reporting process.- Act as an advisory committee to the Council and the Cabinet on audit and governance issues.• The Council maintained an Internal Audit Service via the Shared Service agreement between WNC, North Northamptonshire Council, Cambridgeshire County Council and Milton Keynes Council, that operated in accordance with the Public Sector Internal Audit Standards. The Chief Internal Auditor had direct access to the Chief Executive, the S151 Officer, Directors, the Executive Leadership Team, Members, and the Chair of the Audit & Governance Committee.• The Council maintained a Risk Management function and developed the Council's Risk Strategy (approved on 1 June 2021 by the Executive Leadership Team). The Strategic Risk Register was developed and has been reviewed by the Audit & Governance Committee throughout 2021-22.
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Audit and Inspection Assurances

Internal Audit

The Council takes assurance about the effectiveness of the governance environment from various sources including the work of Internal Audit, which provided independent and objective assurance across the whole range of the Council's activities. The Chief Internal Auditor gives an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council as required by the Public Sector Internal Audit Standards that provide adherence to the Accounts and Audit Regulations 2015.

The 2021-22 opinion is that the internal control environment of the Council is satisfactory and has been used to inform the Annual Governance Statement. Strong assurance relies upon stable systems operating over a sustained period. The satisfactory opinion reflects the context that the Council commenced operation on 1 April 2021 and should give confidence that assurance levels could increase as good control is evidenced through 2022-23 and 2023-24.

The following key factors identified from Internal audit work and discussions with management were deemed to have impacted the effectiveness of controls and risk management during 2021-22:

- Some systems / services continued to operate throughout 2021-22 as individual, localised systems (rather than single, consistent WNC wide systems).
Operating local controls increases both the possibility that different standards of control are applied / required and variable compliance levels. The consolidation of localised processes under a single Council approach is planned over a multi-year programme.
- Control weaknesses highlighted from previous Internal Audit reviews continue to be addressed.

External Reviews

External Audit

As well as an examination of the Council's financial statements, the work of the Council's External Auditor includes an assessment of the degree to which the Council delivers value for money in its use of its resources. These will be received as part of the audit of the 2021-22 Accounts.

Local Government and Social Care Ombudsman

The 2021-22 Local Government & Social Care Ombudsman's Annual Review letter is expected to be received in July 2023.

2021-22 Governance Issues and how they were managed

It is important to draw a distinction between an issue or incident that highlights governance issues and systemic governance weaknesses, for example, contract management found to be unsatisfactory in one area does not necessarily identify poor contract management across all the Council.

Issues are generally considered to have significant governance implications where:

- a) They will seriously prejudice/prevent achievement of a key Council objective
- b) Have a material impact on the Financial Statements
- c) Require formal action to be taken by the S151 or Monitoring officer
- d) Affect the opinion of the Chief Internal Auditor

Key issues raised in the 2020-21 Annual Governance Statements for predecessor Councils were reviewed by the Audit & Governance Committee during 2021-22 and these are reported below to provide assurance that those issues were properly considered.

The Council considered the 2020-21 AGS for Daventry District Council and South Northamptonshire Council and both the 2019/20 and 2020-21 AGS for Northampton Borough Council and Northamptonshire County Council.

A summary of these are reported below.

South Northamptonshire Council

The AGC considered the 2020-21 AGS on 29 September 2021. The AGS did not highlight any significant governance issues and reported *“The Council has had a year like no other as it dealt with the pandemic, the separation from Cherwell District Council and preparing for unitary arrangements. This meant delivering the Council’s objectives with fewer resources and through new mechanisms for delivery. This reinforced the need for strong governance throughout the organisation.”*

“We have been advised on the result of the review of effectiveness of the Council’s governance framework. The overall assessment is that the arrangements continue to be regarded as fit for purpose. This document has described our governance arrangements and assessed how closely we align with good practice. In overall terms this is a positive statement for 2020-21”

No significant governance issues were carried forward to West Northamptonshire Council.

Daventry District Council

The AGC considered the 2020-21 AGS on 29 September 2021. The AGS did not highlight any significant governance issues and reported *“This is the final Annual Governance Statement for Daventry District Council as it ceased to exist on 31 March 2021. West Northamptonshire Council, from its vesting day on 1 April 2021 will have significant challenges in complying with its newly formed governance arrangements.”*

The AGS did report on progress against those governance issues identified in the 2019/20 AGS and, in summary:

Covid 19 – the AGS describes how governance was maintained in respect of C19 limitations and challenges throughout the year.

Local Government Reform – *“It has been a significant challenge to make up for lost time whilst still delivering business as usual services. The Programme has been a success with ‘safe and legal’ services in place for vesting day of West Northamptonshire Council on 1 April 2021.”*

Responsive Behaviours – *“Despite the pressures of Covid-19 response and the LGR Programme Members and Officers have been able to retain significant focus on delivering the Council’s strategic objectives. Although not all the targets in the Corporate Strategic Plan have been achieved for 2020-21 significant progress has been made. Where targets have been missed this is largely down to national restrictions imposed by Government as part of its Covid-19 response. Portfolio Holders have been kept informed during the year through the quarterly Portfolio Holder/Senior management Team meetings.”*

No significant governance issues were carried forward to WNC.

Northampton Borough Council

The AGC considered the 2019/20 and 2020-21 AGS on 29 September 2021.

2019/20 – *“there has been an improvement in the governance arrangements with more engagement by senior management on control issues. Governance arrangements have been improved during the period and have provided a firm foundation for the Council’s financial planning and management to move forward and to better support the Council’s corporate objectives. Other governance arrangements are generally fit for purpose in most other areas in accordance with the governance framework.”*

Covid 19 was recognised as a key issue and *“NBC management feel that this should be reflected in the 2019-2020 Annual Governance Statement with regards to the following areas:*

- *Risk Registers – Covid-19 response was initially included in the Corporate Risk register and latterly specific risk registers were created through the Strategic Command Group (SCG) and the Tactical Command Group (TCG) when they were formed in March 2020 in in line with the emergency planning procedures in place.*
- *Emergency Planning – Gold/Silver activated to ‘assess and control’ from an emergency plan perspective (Friday 13th March 2020).*
- *Council Meetings continued in virtual form.*
- *Rules were agreed, reviewed and understood around ‘single member decisions’.*
- *Mobilisation of BDO (internal auditors) support in respect of formulating processes/protocols for Business Grants (BEIS letters instigated 23rd March 2020).*
- *Business Continuity Plans were updated and activated in March 2020.*
- *Staff were re-deployed from various areas to assist the Northamptonshire County response.*
- *Processes were developed to manage Covid-19 costs incurred.”*

2020-21 – Covid19 impacts continued as described in the 2019/20 AGS and the AGS concluded:

“The 2020-21 financial year was challenging for NBC, as it was for all local authorities, with the added significant workload required to prepare for the move to unitary.

The involvement by senior management and service area managers in the unitary workstreams ensured that NBC had input into what actions were taken forward to ensure policies and procedures were defined and adopted by the new unitary authority. Handovers by the various Directors and Heads of Service at NBC were produced and transferred to the West Northamptonshire Executive Directors during March 2021.

The limited audit opinion received from the internal auditors whilst disappointing was reflective of the work completed by BDO in several high-risk areas, at the direction of senior management, who were committed to ensuring that any key issues were identified and rectified prior to the move to unitary.”

In respect of the Limited opinion from BDO they reported *“We have seen an increase in the number of high-risk findings issued in 2020-21 and in the number of Limited Opinions in both the Design of Controls and the Effectiveness of Controls despite conducting fewer reviews this year.”*

The Limited opinion audits were:

- Northampton Partnership Homes

- Service Level Agreement
- Health and Safety
- Climate Emergency
- Capital projects
- Social Lettings Agency
- Safeguarding

None of the above Limited audits obviously meet the definition of 'significant governance implications' as explained above and therefore did not require specific actions to be carried forward to the 2021-22 West Northamptonshire Council AGS.

The Limited controls in respect of NPH and the Social Lettings Agency are specific areas involving the oversight of separate organisations and were highlighted to the West Northamptonshire Council Internal Audit service by BDO. An action is included within the WNC 21-22 AGS (at Annex A below) in respect of those issues to ensure WNC AGC can be assured the weaknesses identified by BDO have been properly addressed.

A Public Interest Report was published in relation to NBC in January 2021 and the Action Plan was referred to the Shadow Executive for consultation. WNC have taken over the action plan arising from the report.

Northamptonshire County Council

The AGC considered the 2019/20 AGS on 29 September 2021 and the 2020-21 AGS on 26 January 2022. Due to the need for the AGS to reflect current issues until its finalisation (when the Accounts have been audited) the 2020-21 AGS is very similar to the 2019/20 AGS.

The 2020-21 AGS reported:

“Significant weaknesses were recognised in 2017/18 and robust action taken through 2018/19, 2019/20 and into 2020-21 to honestly and publicly acknowledge those weaknesses, together with robust action to address them. This transparency demonstrates the unwavering commitment to resolve the issues, but it is not a ‘quick fix’ and the Council is realistic that it faces continuing challenges with a determination to meet and resolve these in the best interests of its customers and all residents across the County.”

“In light of the poor Ofsted inspection in 2018/19, the Secretary of State for Education approved the establishment of a Children’s Trust.”
The Trust was incorporated on the 1 November 2020 and operated throughout 21-22 financial period.

“Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment in operation within Northamptonshire County Council in that the assessment has concluded that, 2019/20 provided demonstrable improvement and that journey of improvement has continued through 2020-21 towards a sustainable basis for the new Northamptonshire Unitary Councils. We are satisfied that there are appropriate plans in place to demonstrably address the weaknesses and ensure continuous improvement in the system of internal control, together with monitoring arrangements to ensure delivery and transparency.”

Significant Governance Issues were highlighted in both statements as:

- *Local Government Reorganisation*
- *LGSS / Shared Services*
- *Contract Management (including commissioning/procurement).*
- *Risk Management.*
- *Business Continuity.*

Forward Looking Issues were identified as:

- *“Brexit: no significant governance issues arise in respect of Brexit as these are documented and reviewed within individual Risk Register areas. The wider issues remain under review/observation.*
- *LGR Review - Outcomes from the various work streams set up in preparing for the transition to 2 unitary Authorities and a Children’s Trust.*
- *Covid 19 Pandemic – Going concern considerations, following the lock down. Significant reduction in income and spike in outgoings under guidance from Government will have a marked impact on the Council’s finances going forward into 21/22. Robustness of decision- making framework during the lockdown period”*

Most of the issues highlighted by the County Council are addressed via the new systems of control and governance introduced by West Northamptonshire Council from 1 April 2021 and therefore did not require specific actions to be carried forward. Some items are specific and meet the definition of significant governance issues that benefit from specific assurance and are included within the actions listed in Annex A below.

West Northamptonshire Council 2021-22 Significant Governance and Forward-Looking Issues

Consistent with best practice all Council Directors completed a Directors Assurance Statement in respect of 2021-22 governance. These provide a process for Directors to confirm the operation of governance within their areas of responsibility and highlight, if needed, any significant weaknesses.

Issues highlighted within Directors Statements are set out in full below:

Executive Director Finance highlighted two issues:

“Some budgets still settling down and issues from predecessor authorities continue to emerge. It is anticipated that these will reduce over time. Further detailed budget work taking place to ensure all issues are uncovered as far as possible”

Separate action(s) are NOT considered required as the work stated above can be considered business as usual.

“Concerns about issues inherited in respect of practices and subsidy issues within Revenues and Benefits from predecessor authorities (particularly under the previous lead authority model) Issues currently being investigated to understand the scale and impact of the situation”

An action is included in the Action Plan below (Annex A) to report to AGC when the implications of this are quantified / fully understood.

Deputy Chief Executive and Executive Director for Adults, Communities and Wellbeing highlighted 4 issues:

“Government Grants relating to COVID identified as requiring additional assurance Current reviewing residual balances of grants in order to transfer unspent money back to DHSC. Sample checking of additional care provider returns to validate spend.”

Separate action(s) are NOT considered required as the work stated above can be considered business as usual.

“Billing Interfaces do not match between ERP Gold and Abacus. Business systems are currently investigating as ERP Gold does not align with BAM Portal either.”

An action is included in the Action Plan below (Annex A) to report to AGC when the implications of this are quantified / fully understood.

“There is a large volume of queries relating to invoices raised where current resources cannot commit to supporting debt recovery action. Additional resource has been agreed to support with debt queries from April 2022 for 6 months.”

An action is included in the Action Plan below (Annex A) to report to AGC when the implications of this are quantified / fully understood.

“Debt hosted in the West but relates to North funded customers is not being progressed efficiently. Debt team are trying to resolve debt queries with WNC but staff do not have access to customer information. This is being addressed by debt team with NNC but is halting progress on reducing legacy debt.”

Separate action(s) are NOT considered required as the work stated above can be considered business as usual.

Executive Director, Corporate highlighted 1 issue:

“Transformation governance Recent restructure (March 2022) and review of service – have now moved from centralized to directorate approach with overarching PMO”

Separate action(s) are NOT considered required as the work stated above can be considered business as usual.

Director of Public Health highlighted 2 issues:

“Disparity between revenue budget disaggregation and main PH grant disaggregation. Resulted in an overall deficit for WNC of £620,407. It was agreed for 2021-22 that the deficit would be drawn down from the PH reserve.”

Separate action(s) are NOT considered required as the work stated above can be considered business as usual.

“Adult Learning budget was disaggregated based on where courses were held but not an accurate reflection on service delivery according to the Head of Service. ESFA will only pay the grant to the lead authority (NNC). Ongoing discussions between WNC, NNC & ESFA.”

Separate action(s) are NOT considered required as the work stated above can be considered business as usual.

The purpose of this AGS is to reflect on the governance arrangements for the 2021-22 financial year and consider issues that are likely to impact on governance for 2022-23 and onwards.

- **Local Government Review** – The various work streams to consolidate within a single WNC approach remain challenging through 2022-23 and 2023/24.
- **Children’s Trust** – The Council’s support to and oversight of service delivery by the Children’s Trust will continue to evolve and embed through 2022-23.
- **Covid 19 Pandemic** – The Council recognises that the pandemic will continue to have implications across the Council both in respect of service delivery and its staff.

- **Partnership with North Northamptonshire Council and other Councils via the shared service (previously LGSS) arrangements** – Both Councils work in partnership on several issues and West Northamptonshire Council provides several support services to NNC. The management of their delivery and the need for continued positive relationships with NNC will be an area needed assurance during 2022-23 and onwards.

Whilst these are relevant governance issues, they are recognised within the Council priorities and processes for 2022-23 and no specific actions are required.

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ANNEX A

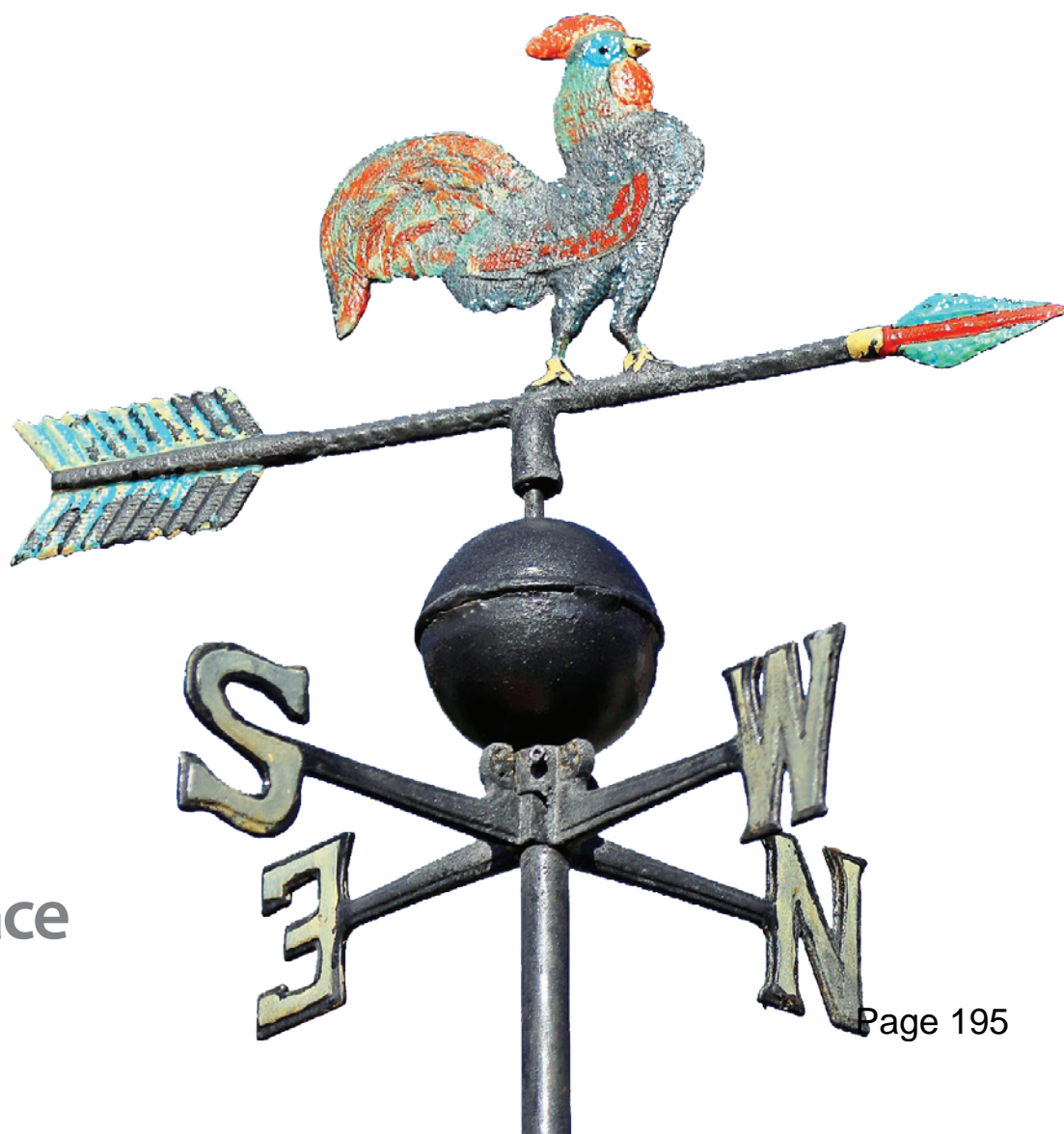
Issue	Lead officer/Date	Action, Update
1 The Limited Internal Audit opinions in relation to NPH and the Social Lettings Agency highlighted within the NBC AGS 2020-21 be updated with progress during 2021-22 and reported to AGC	Chief Internal Auditor	Update: March 2022 - Follow up information to be reported to AGC in 2022-23 to allow the closure of these issues or further work to be agreed.
2 Shared Services - The change agenda continues for LGSS in providing key back-office services to WNC and partner Councils. Assurance regarding those controls is essential as the Councils move from initial set up priorities to business as usual.	Executive Director Finance	Update: March 2022 - The shared service delivery has implemented changes (e.g., the closure of the shared IA service) on 1 April 2022. 2022-23 will give assurance that those remaining shared services continue to provide good levels of governance.
3 Contract Management - various issues were previously highlighted within the County Council around the robust management of contracts. The predecessor novation of contracts to the Council and the Children's Trust. Assurance regarding those controls is essential as the Councils move from initial set up priorities to business as usual.	Transformation Director	Update: March 2022 Internal Audit have scheduled work in this area into the 2022-23 Plan.
4 Predecessor Council Revenues & Benefits practices and subsidy issues being investigated by Finance to understand the scale and impact.	Executive Director Finance	The AGC will be updated when that analysis is completed.
5 Billing Interfaces do not match between ERP Gold and Abacus. Business systems are currently investigating as ERP Gold does not align with BAM Portal either.	Deputy Chief Executive	The AGC will be updated when that analysis is completed.
6 Debt Recovery: A large volume of queries relating to invoices raised where current resources cannot commit to supporting debt recovery action. Additional resource has been agreed to support with debt queries from April 2022 for 6 months.	Deputy Chief Executive	Additional resource has been agreed to support with debt queries from April 2022 for 6 months and the AGC will be informed on progress / improvement after 6 months.
7 Debt Recovery: Debt hosted in the West but relates to North funded customers is not being progressed efficiently. Debt team are trying to	Deputy Chief Executive	The AGC will be updated when that analysis is completed.

Issue	Lead officer/Date	Action, Update
resolve debt queries but staff do not have access to customer information.		

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in Local Government
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2016 Edition



CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed. As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance.

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Framework
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Contents

CHAPTER ONE: INTRODUCTION	1
CHAPTER TWO: STATUS	3
CHAPTER THREE: REQUIREMENTS	5
CHAPTER FOUR: APPLICABILITY AND TERMINOLOGY	7
APPLICABILITY	7
TERMINOLOGY	7
CHAPTER FIVE: GUIDANCE NOTES	9
CHAPTER SIX: THE PRINCIPLES OF GOOD GOVERNANCE – APPLICATION	11
DEFINING THE CORE PRINCIPLES AND SUB-PRINCIPLES OF GOOD GOVERNANCE	11
DEFINING GOVERNANCE	12
PRINCIPLES OF GOOD GOVERNANCE IN LOCAL GOVERNMENT	12
CHAPTER SEVEN: ANNUAL REVIEW AND REPORTING	23
THE ANNUAL GOVERNANCE STATEMENT.....	23
GOVERNANCE ARRANGEMENTS.....	24

CHAPTER ONE

Introduction

- 1.1** Governance arrangements in the public services are keenly observed and sometimes criticised. Significant governance failings attract huge attention – as they should – and one significant failing can taint a whole sector. Local government organisations are big business and are vitally important to tax payers and service users. They need to ensure that they meet the highest standards and that governance arrangements are not only sound but are seen to be sound.
- 1.2** It is crucial that leaders and chief executives keep their governance arrangements up to date and relevant. The main principle underpinning the development of the new *Delivering Good Governance in Local Government: Framework* (CIPFA/Solace, 2016) ('the Framework') continues to be that local government is developing and shaping its own approach to governance, taking account of the environment in which it now operates. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 1.3** The Framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. Outcomes give the role of local government its meaning and importance, and it is fitting that they have this central role in the sector's governance. Furthermore, the focus on sustainability and the links between governance and public financial management are crucial – local authorities must recognise the need to focus on the long term. Local authorities have responsibilities to more than their current electors as they must take account of the impact of current decisions and actions on future generations.

CHAPTER TWO

Status

- 2.1** Section 3.7 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 notes:

Regulation 6(1)(a) of the Accounts and Audit Regulations 2015, Regulation 4(2) of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015, Regulation 5(2) of the Local Authority Accounts (Scotland) Regulations 2014 and Regulation 5(2) of the Accounts and Audit (Wales) Regulations 2014 require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts (England) (as a part of the Annual Accounts (Scotland)). Regulation 6(1)(b) of the Accounts and Audit Regulations 2015, Regulation 4(4) of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 and Regulation 5(4) of the Local Authority Accounts (Scotland) Regulations 2014 require that for a local authority in England, Northern Ireland and Scotland the statement is an Annual Governance Statement.

The preparation and publication of an Annual Governance Statement in accordance with Delivering Good Governance in Local Government: Framework (2016) would fulfil the statutory requirements across the United Kingdom for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts. In England the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be “prepared in accordance with proper practices in relation to accounts”. Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016) and this section of the Code.

- 2.2** This Framework applies to annual governance statements prepared for the financial year 2016/17 onwards.

CHAPTER THREE

Requirements

- 3.1** The Framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance. Whatever form of arrangements are in place, authorities should therefore test their governance structures and partnerships against the principles contained in the Framework by:
- reviewing existing governance arrangements
 - developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness
 - reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.
- 3.2** The term ‘local code’ essentially refers to the governance structure in place as there is an expectation that a formally set out local structure should exist, although in practice it may consist of a number of local codes or documents.
- 3.3** To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in this Framework. It should therefore develop and maintain a local code of governance/governance arrangements reflecting the principles set out.
- 3.4** It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance which cannot be achieved by rules and procedures alone. Shared values that are integrated into the culture of an organisation, and are reflected in behaviour and policy, are hallmarks of good governance.

Applicability and terminology

APPLICABILITY

- 4.1** The Framework is for all parts of local government and its partnerships, including:
- county councils
 - district, borough and city councils
 - metropolitan and unitary councils
 - the Greater London Authority and functional bodies
 - combined authorities, city regions, devolved structures
 - the City of London Corporation
 - combined fire authorities
 - joint authorities
 - police authorities, which for these purposes since 2012 includes both the police and crime commissioner (PCC) and the chief constable
 - national park authorities.
- 4.2** The Framework is applicable to a system involving a group of local government organisations as well as to each of them individually. The Framework principles are therefore intended to be relevant to all organisations and systems associated with local authorities, ie joint boards, partnerships and other vehicles through which authorities now work. However, a one-size-fits-all approach to governance is inappropriate. Not all parts of the Framework will be directly applicable to all types and size of such structures, and it is therefore up to different authorities and associated organisations to put the Framework into practice in a way that reflects their structures and is proportionate to their size.

TERMINOLOGY

- 4.3** The terms ‘authorities’, ‘local government organisations’ and ‘organisations’ are used throughout this Framework and should be taken to cover any partnerships and joint working arrangements in operation.
- 4.4** In the police service, where the accountabilities rest with designated individuals rather than a group of members, terms such as ‘leader’ should be interpreted as relating to the PCC or the chief constable as appropriate.

CHAPTER FIVE

Guidance notes

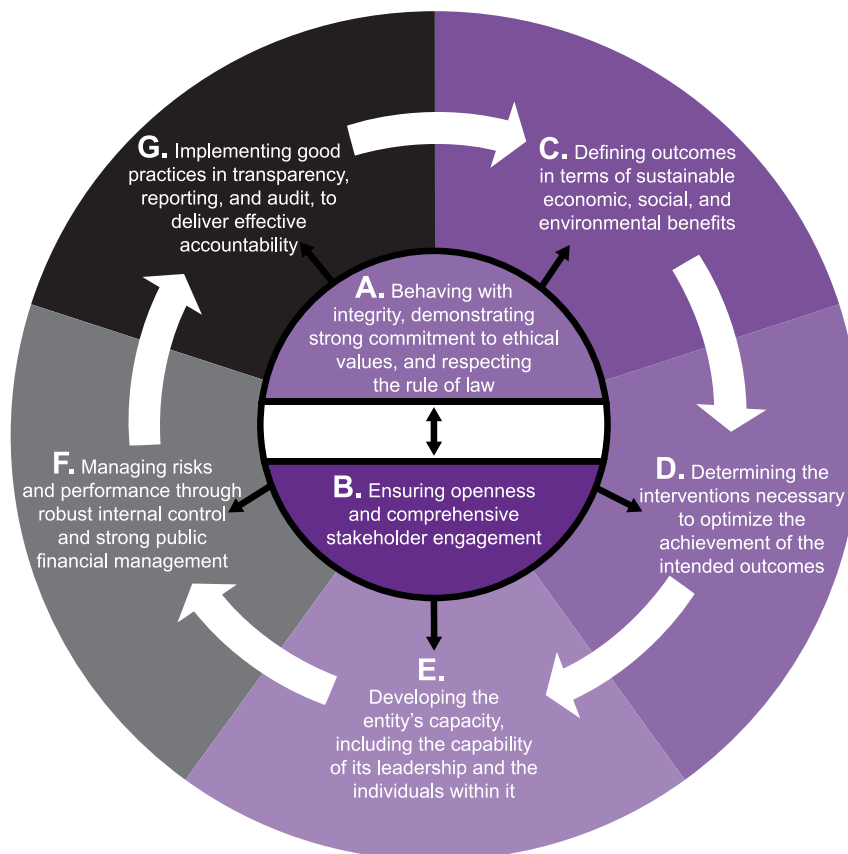
- 5.1** In recognition of the separate legislation applicable to different parts of local government, guidance notes to accompany the Framework have been developed for:
- local government in England (excluding police)
 - local government in Wales (excluding police)
 - police in England and Wales
 - local government in Scotland.
- 5.2** The guidance notes, which should be used in conjunction with the Framework, are intended to assist authorities across their governance systems, structures and partnerships in reviewing their governance arrangements. It will also help them in interpreting the overarching principles and terminology contained in the Framework in a way that is appropriate for their governance structures, taking account of the legislative and constitutional arrangements that underpin them.

The principles of good governance – application

DEFINING THE CORE PRINCIPLES AND SUB-PRINCIPLES OF GOOD GOVERNANCE

6.1 The diagram below, taken from the *International Framework: Good Governance in the Public Sector* (CIPFA/IFAC, 2014) (the ‘International Framework’), illustrates the various principles of good governance in the public sector and how they relate to each other.

Achieving the Intended Outcomes While Acting in the Public Interest at all Times



The International Framework notes that:

Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.

DEFINING GOVERNANCE

6.2 The International Framework defines governance as follows:

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

The International Framework also states that:

To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.

Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

6.3 In local government, the governing body is the full council or authority. In the police, PCCs and chief constables are corporations sole and are jointly responsible for governance. The many references to 'members' in the tables which follow should be read in the context that the principles set out apply equally in the police.

PRINCIPLES OF GOOD GOVERNANCE IN LOCAL GOVERNMENT

6.4 The core principles and sub-principles of good governance set out in the table below are taken from the International Framework. In turn they have been interpreted for a local government context.

It is up to each local authority or local government organisation to:

- set out its commitment to the principles of good governance included in this Framework
- determine its own governance structure, or local code, underpinned by these principles
- ensure that it operates effectively in practice.

Core principles and sub-principles of good governance

Core principles (shown in bold)	Sub-principles (shown in bold)
Acting in the public interest requires a commitment to and effective arrangements for:	Behaviours and actions that demonstrate good governance in practice are illustrated in the bullet points.
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Behaving with integrity
<p>Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.</p>	<ul style="list-style-type: none"> ■ Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation ■ Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles) ■ Leading by example and using the above standard operating principles or values as a framework for decision making and other actions ■ Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively
	Demonstrating strong commitment to ethical values
	<ul style="list-style-type: none"> ■ Seeking to establish, monitor and maintain the organisation’s ethical standards and performance ■ Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation’s culture and operation ■ Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values ■ Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation

Core principles (shown in bold)	Sub-principles (shown in bold)
	<p>Respecting the rule of law</p> <ul style="list-style-type: none"> ■ Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations ■ Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements ■ Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders ■ Dealing with breaches of legal and regulatory provisions effectively ■ Ensuring corruption and misuse of power are dealt with effectively
<p>B. Ensuring openness and comprehensive stakeholder engagement</p> <p>Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.</p>	<p>Openness</p> <ul style="list-style-type: none"> ■ Ensuring an open culture through demonstrating, documenting and communicating the organisation’s commitment to openness ■ Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided ■ Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear ■ Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action <p>Engaging comprehensively with institutional stakeholders</p> <p>NB institutional stakeholders are the other organisations that local government needs to work with to improve services and outcomes (such as commercial partners and suppliers as well as other public or third sector organisations) or organisations to which they are accountable.</p> <ul style="list-style-type: none"> ■ Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably

Core principles (shown in bold)**Sub-principles (shown in bold)**

- Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively
- Ensuring that partnerships are based on:
 - trust
 - a shared commitment to change
 - a culture that promotes and accepts challenge among partners

and that the added value of partnership working is explicit

Engaging with individual citizens and service users effectively

- Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes
- Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement
- Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs
- Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account
- Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity
- Taking account of the impact of decisions on future generations of tax payers and service users

Principles (shown in bold)	Sub-principles (shown in bold)
<p>In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance also requires a commitment to and effective arrangements for:</p>	<p>Behaviours and actions that demonstrate good governance in practice are illustrated in the bullet points.</p>
<p>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</p>	<p>Defining outcomes</p>
<p>The long-term nature and impact of many of local government’s responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation’s purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>	<ul style="list-style-type: none"> ■ Having a clear vision, which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation’s overall strategy, planning and other decisions ■ Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer ■ Delivering defined outcomes on a sustainable basis within the resources that will be available ■ Identifying and managing risks to the achievement of outcomes ■ Managing service users’ expectations effectively with regard to determining priorities and making the best use of the resources available
	<p>Sustainable economic, social and environmental benefits</p>
	<ul style="list-style-type: none"> ■ Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision ■ Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation’s intended outcomes and short-term factors such as the political cycle or financial constraints ■ Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs ■ Ensuring fair access to services

Principles (shown in bold)	Sub-principles (shown in bold)
<p>D. Determining the interventions necessary to optimise the achievement of the intended outcomes</p> <p>Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.</p>	<p>Determining interventions</p> <ul style="list-style-type: none"> ■ Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided ■ Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts <p>Planning interventions</p> <ul style="list-style-type: none"> ■ Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets ■ Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered ■ Considering and monitoring risks facing each partner when working collaboratively, including shared risks ■ Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances ■ Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured ■ Ensuring capacity exists to generate the information required to review service quality regularly ■ Preparing budgets in accordance with objectives, strategies and the medium term financial plan ■ Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy

Principles (shown in bold)	Sub-principles (shown in bold)
	<p>Optimising achievement of intended outcomes</p> <ul style="list-style-type: none"> ■ Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints ■ Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term ■ Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage ■ Ensuring the achievement of ‘social value’ through service planning and commissioning
<p>E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it</p> <p>Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.</p>	<p>Developing the entity’s capacity</p> <ul style="list-style-type: none"> ■ Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness ■ Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently ■ Recognising the benefits of partnerships and collaborative working where added value can be achieved ■ Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources <p>Developing the capability of the entity’s leadership and other individuals</p> <ul style="list-style-type: none"> ■ Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained ■ Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body ■ Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other’s authority

Principles (shown in bold)**Sub-principles (shown in bold)**

- Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:
 - ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged
 - ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis
 - ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external
- Ensuring that there are structures in place to encourage public participation
- Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections
- Holding staff to account through regular performance reviews which take account of training or development needs
- Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing

Principles (shown in bold)	Sub-principles (shown in bold)
<p>F. Managing risks and performance through robust internal control and strong public financial management</p> <p>Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.</p> <p>A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.</p> <p>It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p>	<p>Managing risk</p> <ul style="list-style-type: none"> ■ Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making ■ Implementing robust and integrated risk management arrangements and ensuring that they are working effectively ■ Ensuring that responsibilities for managing individual risks are clearly allocated <p>Managing performance</p> <ul style="list-style-type: none"> ■ Monitoring service delivery effectively including planning, specification, execution and independent post implementation review ■ Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation’s financial, social and environmental position and outlook ■ Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation’s performance and that of any organisation for which it is responsible (Or, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making ■ Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement ■ Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements)

Principles (shown in bold)**Sub-principles (shown in bold)****Robust internal control**

- Aligning the risk management strategy and policies on internal control with achieving objectives
- Evaluating and monitoring risk management and internal control on a regular basis
- Ensuring effective counter fraud and anti-corruption arrangements are in place
- Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor
- Ensuring an audit committee or equivalent group/function, which is independent of the executive and accountable to the governing body:
 - provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment
 - that its recommendations are listened to and acted upon

Managing data

- Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data
- Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies
- Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring

Strong public financial management

- Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance
- Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls

Principles (shown in bold)	Sub-principles (shown in bold)
<p>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p> <p>Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>	<p>Implementing good practice in transparency</p> <ul style="list-style-type: none"> ■ Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate ■ Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand <p>Implementing good practices in reporting</p> <ul style="list-style-type: none"> ■ Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way ■ Ensuring members and senior management own the results reported ■ Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement) ■ Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate ■ Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations <p>Assurance and effective accountability</p> <ul style="list-style-type: none"> ■ Ensuring that recommendations for corrective action made by external audit are acted upon ■ Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon ■ Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations ■ Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement ■ Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met

Annual review and reporting

THE ANNUAL GOVERNANCE STATEMENT

- 7.1** Local authorities are required to prepare an annual governance statement (see Chapter two) in order to report publicly on the extent to which they comply with their own code of governance, which in turn is consistent with the good governance principles in this Framework. This includes how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the effectiveness of the governance and internal control framework.
- 7.2** The annual governance statement is a valuable means of communication. It enables an authority to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes. It should reflect an individual authority's particular features and challenges.
- 7.3** The annual governance statement should provide a meaningful but brief communication regarding the review of governance that has taken place, including the role of the governance structures involved (such as the authority, the audit and other committees). It should be high level, strategic and written in an open and readable style.
- 7.4** The annual governance statement should be focused on outcomes and value for money and relate to the authority's vision for the area. It should provide an assessment of the effectiveness of the authority's governance arrangements in supporting the planned outcomes – not simply a description of them. Key elements of an authority's governance arrangements are summarised in the next section.
- 7.5** The annual governance statement should include:
- an acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance
 - reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment, such as the authority, the executive, the audit committee, internal audit and others as appropriate
 - an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework

- an agreed action plan showing actions taken, or proposed, to deal with significant governance issues
 - reference to how issues raised in the previous year's annual governance statement have been resolved
 - a conclusion – a commitment to monitoring implementation as part of the next annual review.
- 7.6** The annual governance statement should be signed by the leading member (or equivalent) and chief executive (or equivalent) on behalf of the authority.
- 7.7** The annual governance statement should be approved at a meeting of the authority or delegated committee (in Scotland, the authority or a committee with a remit including audit or governance).
- 7.8** Local authorities are required to include the annual governance statement with their statement of accounts. As the annual governance statement provides a commentary on all aspects of the authority's performance, it is appropriate for it to be published, either in full or as a summary, in the annual report, where one is published. It is important that it is kept up to date at time of publication.

GOVERNANCE ARRANGEMENTS

- 7.9** Key elements of the structures and processes that comprise an authority's governance arrangements are summarised below. They do not need to be described in detail in the annual governance statement if they are already easily accessible by the public, for example through the authority's code of governance.
- Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively.
 - Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
 - Documenting a commitment to openness and acting in the public interest.
 - Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
 - Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.
 - Translating the vision into courses of action for the authority, its partnerships and collaborations.
 - Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.
 - Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.

- Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.
- Ensuring that financial management arrangements conform with the governance requirements of the [CIPFA Statement on the Role of the Chief Financial Officer in Local Government \(2015\)](#) or [CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Financial Officer of the Chief Constable \(2014\)](#) as appropriate and, where they do not, explain why and how they deliver the same impact.
- Ensuring effective arrangements are in place for the discharge of the monitoring officer function.
- Ensuring effective arrangements are in place for the discharge of the head of paid service function.
- Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.
- Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.
- Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the [Code of Practice on Managing the Risk of Fraud and Corruption \(CIPFA, 2014\)](#).
- Ensuring an effective scrutiny function is in place.
- Ensuring that assurance arrangements conform with the governance requirements of the [CIPFA Statement on the Role of the Head of Internal Audit \(2010\)](#) and, where they do not, explain why and how they deliver the same impact.
- Undertaking the core functions of an audit committee, as identified in [Audit Committees: Practical Guidance for Local Authorities and Police \(CIPFA, 2013\)](#).
- Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.
- Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures.



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WEST NORTHAMPTONSHIRE COUNCIL AUDIT & GOVERNANCE COMMITTEE

25th January 2023

Report Title	Work Programme
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Appendices – Work Programme Schedule – Appendix A

1. Purpose

- 1.1. The purpose of this report is to provide an updated work programme for consideration by the Committee

2. Recommendations

- 2.1. It is recommended that the Committee considers and approves the work programme.

3. Issues and Choices

Information

- 3.1 Attached at Appendix A is an updated work programme for the Committee.
- 3.2 The work programme will evolve over time and the Committee is requested to consider the attached programme and highlight any other areas where they may wish to receive further reports.

4. Implications (including financial implications)

4.1. Policy

- 4.1.1. There are no significant policy implications associated with this report.

4.2. Resources and Risk

- 4.2.1. There are no financial and risk implications associated directly with this report.

4.3. Legal



**West
Northamptonshire
Council**

4.3.1. There are no specific legal risks associated with this report.

4.4. Equality and Health

4.4.1. There are no specific equality and health issues associated with this report.

**Report Author: Martin Henry
Executive Director – Finance
S151 Officer**

Work Programme

	25 January 2023	01 March 2023
Minutes from the previous meeting	X	X
Pension Fund Annual Report and Statement of Accounts	X	
RIPA Policy	X	
Internal Audit Progresss report	X	X
WNC Annual Governance Statement 2021-22	X	
External Audit Progress report (Grant Thornton)	X	X
External Audit Progress report (EY)	X	X
Budget setting update (verbal)	X	X
Limited Assurance Internal Audit reports x 2	X	X
Work programme	X	X

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