

# WEST NORTHAMPTONSHIRE COUNCIL

## AUDIT AND GOVERNANCE COMMITTEE

26 July 2023

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

### Contributors/Checkers/Approvers

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

### List of Appendices

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

##### 1. Purpose of Report

---

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

##### 2. Executive Summary

---

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

##### 3. Recommendations

---

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

##### 4. Reason for Recommendations

---

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

##### 5. Report Background

---

- 5.1 The Pension Fund's Statement of Accounts (SOA) form part of West Northamptonshire Council's Statement of Accounts. These are audited by the Council's external auditor Grant Thornton (GT). The auditor confirms whether, in

their opinion, the SOA reflect a true and fair view of the financial position of the authority (and the Fund within it) for the financial year 1<sup>st</sup> April to 31<sup>st</sup> March and that the SOA is free from material mis-statement.

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

## **6. Content and Responsibilities**

---

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

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

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

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

---

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

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

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

---

### **8.1 Resources and Financial**

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

### **8.2 Legal**

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

### **8.3 Risk**

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

### **8.4 Consultation**

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

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

- 8.5.1 Not required.

### **8.6 Climate Impact**

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

### **8.7 Community Impact**

- 8.7.1 There are no community impact implications.

### **8.8 Communications**

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

## **9. Background Papers**

---

- 9.1 Not applicable