



West Northamptonshire Council

Pension Committee

27/07/2021

Mark Whitby – Head of Pensions

Report Title	Introduction to the Pension Fund Annual Report and Statement of Accounts 2020-21
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Contributors/Checkers/Approvers

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List of Appendices

Draft Annual Report and Statement of Accounts 2020-21

1. Purpose of Report

- 1.1 To provide the Pension Committee with the background information of the year end processes for the Northamptonshire Pension Fund's Annual Report and Statement of Accounts (ARSOA).
- 1.2 To present the Draft Annual Report and Statement of Accounts of the Pension Fund for the 2020-21 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 risen to £3,076.9m, following strong financial growth during the year with a net increase of £672.6m, mainly due to the outperformance of global equities. Contributions, Benefits and Management Expenses have also increase since last year whilst Investment income has decreased.

- 2.2 The Pension Committee are responsible for approving the Annual Report for the Northamptonshire Pension Fund and providing assurance to Audit and Governance Committee for the Statement of Accounts. The Audit and Governance Committee are responsible for approving the Statement of Accounts as these form part of the overall Administering Authority's Statement of Accounts.
- 2.3 The report sets out the key milestones for the 2020-21 year end including audit testing (July – August) and issuing of the audit results report ISA260 (September 2021). The Pension Committee will see a final version of the Annual Report and Statement of Accounts at the Committee meeting to be held on 11th October 2021.

3. Recommendations

- 3.1 The Pension Committee is asked to:
- a) Approve the Draft Annual Report; and
 - b) Note the Draft Statement of Accounts of the Pension Fund for the 2020-21 financial year.

4. Report Background

- 4.1 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 Ernst & Young (EY). 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.
- 4.2 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.
- 4.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 (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).
- 4.4 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.
- 4.5 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).

5. Content, Responsibilities and Timeline

- 5.1 The Annual Report and Statement of Accounts contents are set out over eight sections: -
- 5.1.1 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.
 - 5.1.2 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.

- 5.1.3 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.
- 5.1.4 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.
- 5.1.5 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.
- 5.1.6 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.
- 5.1.7 Pension Fund Accounts - accounting statements and notes to the accounts and is approved as a section within the Administering Authority's SOA
- 5.1.8 Glossary
- 5.2 The Pension Committee are responsible for approving the Annual Report for the Northamptonshire Pension Fund and providing assurance to Audit and Governance Committee for the Statement of Accounts. The Audit and Governance Committee are responsible for approving the Statement of Accounts as these form part of the overall Administering Authorities SOA.
- 5.3 The Annual Report will be subject to further refinement, external auditor oversight and accessibility checks and a final version for publication will be brought to the October Pension Committee.
- 5.4 The Pension Fund's accounts cannot be signed by our auditors until Northamptonshire County Council's accounts have been signed off. West Northamptonshire Council is leading on the completion of the County Councils Statement of Accounts, and has retained the legacy closure of accounts team to complete this work. The Council is prioritising the closure of accounts work, with 2019-20 accounts anticipated to be completed in the coming months, and 2020-21 progressed immediately afterwards. The table below is a planned timeline for the Pension Fund 2020-21 year end audit:

Milestone	Planned dates	Status
Walkthroughs	March – April 2021	Completed
Report audit plan	July 2021	In progress – this will be circulated to Committee Members when available. The audit plan sets out the key risks, areas of auditor focus, materiality levels and fees.
Substantive testing	July – August 2021	-
Audit Results Report	September 2021	Deadline 30 November 2021

6. Highlights – Statement of Accounts 2020-21

- 6.1 The Fund Account and the Net Asset Statement provide a summary of the financial activity with the notes to the accounts providing further information.
- 6.2 The net increase for the year was £672.6m, with the Fund's net assets rising to £3,076.9m reflecting strong financial growth during the year mainly due to the outperformance of global equities.
- 6.3 Contribution receipts increased slightly from £112.7m to £116.3. The increase in contributions payments reflects the increase in the average contribution rate for 2020-21.
- 6.4 Benefit payments have increased from £94.4m to £96.2m. The increase in pension payments reflects the growth in the number of pensioners during the year.
- 6.5 Management expenses are broken down in Note 11. Administration expenses have increased from the previous year due to the impact of a beneficial accounting entry in the prior year that reduced administration expenses for 2019-20. Oversight and Governance costs have decreased due to higher actuary fees paid during 2019-20 for valuation. Investment Management fees have increased during the year due to higher allocations to alternative assets.
- 6.6 The one year investment return as at 31st March 2021 was a net market gain of £667.8m.
- 6.7 Investment income decreased from £41.1m in 2019-20 to £23.4m in 2020-21 mainly from large disinvestments from segregated equities during the previous and current financial year. There was also a financial impact on dividend payments in the first two quarters of the year due to the COVID-19 pandemic. Investment income is largely impacted by market performance and returns during the year.

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

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

7.3 Risk

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

Risk No.	Risk	Residual risk rating
4	Contributions to the Fund are not received on the correct date and/or for the correct amount	Amber
5	Fund assets are not sufficient to meet obligations and liabilities.	Amber
6	Information may not be provided to stakeholders as required	Green
8	Those charged with governance are unable to fulfil their responsibilities effectively	Green
12	Custody arrangements may not be sufficient to safeguard Pension Fund assets.	Green
14	Failure to administer the scheme in line with regulations and guidance.	Green
18	Pension Fund investments may not be accurately valued.	Green

Risk No.	Risk	Residual risk rating
24	Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	Green

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

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

7.4 Relevant Pension Fund Objectives

7.4.1 The following objectives have been considered in this report -

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

7.5 Consultation

7.5.1 The Regulations determine that the accounts and other related documents have to be made available for public inspection, the statutory audit deadlines have been extended due to COVID. Authorities must commence the public inspection period, anticipated dates are 30th July 2021 – 10th September 2021.

7.5.2 The statutory date for publication of the final set of the Council's Statement of Accounts is the end of November (original date end of July), and in accordance with recognised practice, the Council considers its Statement of Accounts to be published from the date that a final certified copy is made available via the Council's website.

7.5.3 The Statutory date for publication of the Pension Funds Annual Report is 1st December.

8. Background Papers

8.1 The Pension Fund Accounts are supported by a detailed set of working papers that are subject to examination as part of the External Audit review.