

WEST NORTHAMPTONSHIRE COUNCIL AUDIT AND GOVERNANCE COMMITTEE

29TH SEPTEMBER 2021

Report Title	Pension Fund Annual Report and Statement of Accounts 2020/21
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Appendix 1 Auditors ISA260 2020/21 report

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Appendix 3 ACCESS Annual Report

1. Purpose of Report

1.1 To present the final Annual Report and Statement of Accounts 2020/21 and Audit results report to the Audit and Governance Committee.

2. Executive Summary

2.1 The report covers the key highlights from the Statement of Accounts. The Fund's assets have risen to £3,100.6m, following strong financial growth during the year with a net increase of £696.3m, 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 report includes the key findings from the external field work performed by Ernst and Young included in the ISA260 report.

3. Recommendations

3.1 It is recommended that the Committee:

- a) Considers the Final Statement of Accounts and note the Annual Report of the Pension Fund for the 2020/21 financial year.
- b) Views the findings of external audit documented in the ISA260.

c) delegates authority to the Executive Director of Finance and Chair of the Audit & Governance Committee to approve and sign the letter of representation on behalf of the Council; and

d) delegates authority to the Executive Director of Finance and the Chair of Audit & Governance Committee to approve and sign the final Statement of Accounts for the pension fund upon satisfactory conclusion of the audit.

4. Reason for Recommendations

- 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 County Council's Statement of Accounts. These are audited by the County Council's external auditor Ernst and Young LLP (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 2020 to 31st March 2021 and that the SOA is free from material misstatement.
- 5.2 The Fund's Annual Report and SOA have been subject to audit fieldwork by the County Council's external auditor. Whilst EY perform a full audit of the SOA, their work on the Annual Report is limited to a review to ensure compliance with guidance and consistency with the SOA. EY's initial findings are noted in Section 7.
- 5.3 The accounts are based on transactions accounted for within the Fund's financial ledger, information received from Investment Managers and the Fund's Custodian, 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.
- 5.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) 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. There were no changes in the Code that impacted on the Funds SOA. The latest 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).
- 5.5 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.
- 5.6 The structure and content of the Annual Report is governed by guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in compliance with Regulation 57 of The Local Government Pension Scheme Regulations 2013 (as amended).

6. Highlights

- 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 £696.3m, with the Fund's net assets rising to £3,100.6m 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 £688.6m.
- 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. Findings and Feedback from External Audit Fieldwork.

- 7.1 The Pension Fund Statement of Accounts has been subject to external audit fieldwork and EY 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 15 of the Audit report.

"In our opinion the pension fund financial statements:

Give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2021 and the amount and disposition of the fund's assets and liabilities as at 31 March 2021; and

have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21"

- 7.2 The report states that the financial statements are clear of material misstatement, and there are no ongoing concerns that require an individual management response.
- 7.3 The Final version of the Annual Report and Statement of Accounts will be published on the Fund's website and circulated to members.

8. Implications (including financial implications)

8.1 Resources and Financial

- 8.1.1. There are no resources or financial implications arising from the proposals.

8.2 Legal

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

8.3 Risk

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

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

8.4 **Consultation**

8.4.1 The Pension Fund Accounts were 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 There is no requirement for this report to be considered by the Overview and Scrutiny committee.

8.6 **Climate Impact**

8.6.1 There is no significant environmental impact arising from this report.

8.7 **Community Impact**

8.7.1 There are no community impacts arising from this report.

9. **Background Papers**

9.1 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.