



West Northamptonshire Council

Pensions Committee

25/07/2022

Mark Whitby – Head of Pensions

Report Title	Pension Fund Annual Report and Statement of Accounts 2021-22
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Contributors/Checkers/Approvers

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List of Appendices

Appendix A - Draft Annual Report and Statement of Accounts 2021-22

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 2021-22 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 £3,367.7m, 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 sets out the key milestones for the 2021-22 year end including audit testing (July) and issuing of the audit results report ISA260 (September 2022). The Pension Committee will see a final version of the Annual Report and Statement of Accounts at the Committee meeting to be held in October 2022.

3. Recommendations

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

4. Reason for Recommendations

- 4.1 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.

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 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.
- 6.3 The table below is a planned timeline for the Pension Fund 2021-22 year end audit:

Milestone	Planned dates	Status
Interim Audit	March 2022	Completed
Report audit plan	July 2022	Completed
Substantive testing	July – August 2022	In progress
Audit Results Report	October 2022	Deadline 30 September 2022

- 6.4 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).
- 6.5 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 to positive performance and the 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. 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 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	Amber

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

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

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

8.4 Relevant Pension Fund Objectives

8.4.1 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.

8.5 Consultation

8.5.1 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.

8.6 Consideration by Overview and Scrutiny

8.6.1 The Pensions Committee is a committee of full council and therefore consideration by Overview and Scrutiny is not required.

8.7 Climate Impact

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

8.8 Community Impact

8.8.1 There are no community impact implications.

8.9 Communications

8.9.1 This information only paper does not require any further communication activities.

9. Background Papers

9.1 Note applicable.