

West Northamptonshire Council

Pension Fund Committee

12/12/2022

Mark Whitby – Head of Pensions

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

MO	Jeanette McGarry on behalf of Catherine Whitehead	17/11/2022
S151	James Smith on behalf of Martin Henry	24/11/2022
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List of Appendices

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

Appendix 2 – ACCESS Annual Report

Appendix 3 – 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 and audit results report for the 2021-22 financial year.

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 Pension Fund Committee is asked to:
- a) Approve the Annual Report of the Pension Fund for the 2021-22 financial year;
 - b) Note the final Statement of Accounts and;
 - c) Note the findings of external audit documented in the ISA260.

4. Reason for Recommendations

- 4.1 The Pension Fund 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. Key Changes from Draft Accounts

- 6.1 The draft Annual Report and Statement of Accounts was brought to Committee at the July meeting. The below sets out the changes from the draft report and final report:
- 6.1.1 Page 3 - Inclusion of the Chair's Foreword,
- 6.1.2 Page 28 – Inclusion of Cost Transparency details,
- 6.1.3 Page 33 – Inclusion of TCFD Reporting,
- 6.1.4 Page 50 – Adjustment to Membership numbers, reclassifying North Northants members from "Administering Authority" to "Other employers",
- 6.1.5 Page 54 – Inclusion of accounting policy "Prior Period Adjustments, changes in accounting policies and estimates and errors",

- 6.1.6 Page 56 – Adjustment to Contributions by Authority note. Reclassifying contributions paid from North Northants from Administering authority to Scheduled bodies,
- 6.1.7 Page 57 - Adjustment to Benefits by Authority note. Reclassifying benefits paid to North Northants members from Administering authority to Scheduled bodies,
- 6.1.8 Page 65 – Note 16a Fair value hierarchy, changes to the prior period note,
- 6.1.9 Page 79 – Receipt of AVC statements from Prudential and Standard Life,
- 6.1.10 Page 79 – Updated Related Parties Note,
- 6.1.11 Page 80 – New note for ACCESS asset pooling arrangements,
- 6.1.12 Page 81 – New note for prior period adjustments.

7. Findings and feedback from External Audit fieldwork

- 7.1 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.”*
- 7.2 The Pension Fund's opinion cannot be finalised until the Council's audit has concluded.
- 7.3 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.
- 7.4 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.
- 7.5 The Final version of the Annual Report and Statement of Accounts will be published on the Fund's website.

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 There are no legal implications arising from the proposals.

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 liabilities.	Amber
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 Pension Committee papers are subject to approval by the Monitoring Officer and Section 151 Officer prior to publication.

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 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.

9. **Background Papers**

9.1 Note applicable.