

# WEST NORTHAMPTONSHIRE COUNCIL

## AUDIT AND GOVERNANCE COMMITTEE

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

West MO	Catherine Whitehead	11 <sup>th</sup> January 2023
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### List of Appendices

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

**Appendix A – ACCESS Annual Report**

**Appendix 2 – Grant Thornton’s ISA260 Audit Results Report 2021-22**

### **1. Purpose of Report**

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- 1.1 To present the Final Annual Report and Statement of Accounts of the Pension Fund for the 2021-22 financial year.
- 1.2 View the findings of the external audit documented in the ISA260.

### **2. Executive Summary**

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- 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**

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

- b) Recommend the findings of external audit documented in the ISA260 are acted upon.

#### **4. Reason for Recommendations**

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

#### **5. Report Background**

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- 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 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 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**

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- 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 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).
- 6.3 The statutory date for publication of the Pension Funds Annual Report is 1st December.

## **7. Highlights – Statement of Accounts 2021-22**

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- 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 positive to performance and fees being based on increased assets under management (AUM).

- 7.6 The one-year investment return as at 31<sup>st</sup> 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. Findings and feedback from External Audit fieldwork**

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- 8.1 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.”*

- 8.2 The Pension Fund's opinion cannot be finalised until the Council's audit has concluded.
- 8.3 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.
- 8.4 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.
- 8.5 The Final version of the Annual Report and Statement of Accounts will be published on the Fund's website.

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

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### **9.1 Resources and Financial**

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

### **9.2 Legal**

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

### **9.3 Risk**

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

9.3.2 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/>

#### 9.4 **Consultation**

9.4.1 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.

#### 9.5 **Consideration by Overview and Scrutiny**

9.5.1 Not applicable

#### 9.6 **Climate Impact**

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

#### 9.7 **Community Impact**

9.7.1 There are no community impact implications.

#### 9.8 **Communications**

9.8.1 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.

### 10. **Background Papers**

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10.1 Not applicable