

Pension Fund Annual Report and Statement of Accounts 2021-22

To: Audit and Accounts Committee

Meeting Date: 24th November 2022

From: Ben Barlow – Investments and Fund Accounting Manager - Pensions

Recommendation: That the Audit and Accounts Committee:

1. Approve the Final Statement of Accounts and note Annual Report of the Pension Fund for the 2021-22 financial year.
2. View the findings of external audit documented in the ISA260.

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1. Background

- 1.1. 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 2021 to 31st March 2022 and that the SOA is free from material misstatement.
- 1.2. 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 3.
- 1.3. 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.
- 1.4. The Chartered Institute of Public Finance and Accountancy (CIPFA) 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. 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).
- 1.5. 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.
- 1.6. 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).

2. Highlights

- 2.1. The Fund Account and the Net Asset Statement provide a summary of the financial activity with the notes to the accounts providing further information.
- 2.2. The net increase for the year was £407.2m, with the Fund's net assets rising to £4,305.4m reflecting strong financial growth during the year mainly due to the outperformance of pooled investments.
- 2.3. Contribution receipts have decreased from £154.5m to £134.6m. The decrease in contributions payments reflects multiple employers paying their three-year deficits in 2020-21 following the 2019 Valuation.
- 2.4. Benefit payments have increased from £109.6m to £118.3m. The increase in pension payments reflects the growth in the number of pensioners during the year and CPI uplifts to benefits in payment.
- 2.5. Management expenses are broken down in Note 11. Administration expenses have decreased from the previous year due to 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).

- 2.6. The one-year investment return as at 31st March 2022 was a net market gain of £383m.
- 2.7. Investment income has decreased from £31.4m in to £30.7m mainly due to decreased income from pooled holdings. Investment income is impacted by market performance however the main returns are reflected in market value increases.

3. Findings and feedback from External Audit fieldwork

- 3.1. 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 16 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 2022 and the amount and disposition of the fund's assets and liabilities as at 31 March 2022; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021-22"

- 3.2. 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 £10.274m. This value is below materiality thresholds.
- 3.3. The Final version of the Annual Report and Statement of Accounts will be published on the Fund's website and circulated to members.

4. Source documents

- 4.1. Appendix 1 Annual Report and Statement of Accounts 2021-22
- 4.2. Appendix A ACCESS Annual Report
- 4.3. Appendix 2 ISA260 2021-22 Report

Have the resource implications been cleared by Finance? Yes

Name of Financial Officer: Tom Kelly

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law? Yes

Name of Legal Officer: Fiona McMillan