

Pension Fund Annual Report and Statement of Accounts 2022-23

To: Audit and Accounts Committee

Meeting Date: 1st December 2023

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 2022-23 financial year.
2. Note the findings of external audit documented in the Audit Results Report.

Officer contact: Ben Barlow, Fund Accounting Manager

Ben.Barlow@westnorthants.gov.uk

Tel: 07896 890375

1. Background

- 1.1. 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 Ernst & Young (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 1 April 2022 to 31 March 2023 and that the SOA is free from material mis-statement.
- 1.2. 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.
- 1.3. The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 (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).
- 1.4. 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.
- 1.5. 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).

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 decrease for the year was £73.6m, with the Fund's net assets falling to £4,231.8m reflecting negative performance in the first two quarters of the year.
- 2.3. Contribution receipts have increased from £134.6m to £148.9m. The increase in contributions payments reflects the increase in the average contribution rate for 2022-23.
- 2.4. Benefit payments have increased from £118.3m to £123.5m. 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 increased from £2.6m to £2.9m mainly due to salary and inflationary increases. Oversight and Governance costs have increased from £901k to £1.1m mainly due to higher actuarial cost for valuation. Investment Management fees have decreased from £22.1m to £21.0m mainly due to negative performance and the fees being based on assets under management (AUM).
- 2.6. The one-year investment return as at 31st March 2023 was a net market loss of £133.9m.
- 2.7. Investment income has increased from £30.7m in to £52.6m mainly due to large income distributions from Dodge and Cox, J O Hambro, Longview and M&G Alpha. Investment income is impacted by market performance however the main returns are reflected in market value increases.

2.8.

3. Cambridge & Counties Bank

- 3.1. Following a query raised at Audit and Accounts Committee in September about the historical context for the inclusion of the Cambridge & Counties Bank in the Fund's investment portfolio, a paper has been presented to the Pensions Investment Sub Committee in November.
- 3.2. The Committee discussed, the reasons for the original investment and current ownership of the Bank, recent performance and income received to date, valuation, management and exit strategies.
- 3.3. After an in-dept discussion, the Committee are content with the situation and will continue to receive regular updates.
- 3.4. A paper will be presented to the Audit and Accounts Committee in February 2024.

4. Findings and feedback from External Audit fieldwork

- 4.1. 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 Audit Results Report (Page 16).

"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 2023 and the amount and disposition of the fund's assets and liabilities as at 31 March 2023; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022-23"

- 4.2. The Pension Fund's opinion cannot be finalised until the Council's audit has concluded.

- 4.3. There are two corrected differences identified during the audit:

- The investment asset balances included a number of estimated asset valuations for Level 3 assets, these are based on December 2022 actual valuations adjusted for cash flows to the 31 March 2023. The actual valuations received for these assets showed the investment asset balance was understated by £12.847m. This value is below materiality thresholds, however management have adjusted the investment assets.
- The valuation of Cambridge & Counties Bank (CCB) difference relates to an amendment made from the version of the draft financial statements originally published within the Cambridgeshire County Council accounts, which erroneously did not include the updated CCB valuation. The revised draft financial statements include the updated 2022/23 valuation for CCB of £69.7million, which is £15.7 million lower than in the original version (£85.4 million).

- 4.4. The Final version of the Annual Report and Statement of Accounts will be published on the Fund's website and circulated to members.

5. Source documents

- 5.1. Appendix A Annual Report and Statement of Accounts 2022-23
- 5.2. Appendix B Audit Results Report 2022-23

Have the resource implications been cleared by Finance? Yes

Name of Financial Officer: Michael Hudson 20/11/2023

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: Emma Duncan 21/11/2023