

Cambridgeshire Pension Fund

Pension Fund Committee

14 December 2022

Report by: Head of Pensions

Subject: Pension Fund Annual Report and Statement of Accounts 2021-22

Purpose of the Report: To present the Final Annual Report and Statement of Accounts and the Audit Results Report of the Pension Fund for the 2021-22 financial year.

Recommendations: The Pension Fund Committee:

- a) Approve the Final Annual Report
- b) Note the Statement of Accounts of the Pension Fund for the 2021-22 financial year.
- c) Note the findings of external audit documented in the ISA260.

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1. Purpose of report

- 1.1 To present the Final Annual Report and Statement of Accounts and the Audit Results Report of the Pension Fund for the 2021-22 financial year.

2. Executive summary

- 2.1 The report covers the changes to the Annual Report and Statement of Accounts since the draft version presented to Committee in July.
- 2.2 The report sets out the key findings of the external audit for the 2021-22 year end including outstanding items and uncorrected misstatements.

3. Report background

- 3.1 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 1st April to 31st March and that the SOA is free from material misstatement.
- 3.2 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.

- 3.3 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).
- 3.4 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.
- 3.5 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).

4. Main changes

- 4.1 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:
 - 4.1.1 Page 3 - Inclusion of the Chair's Foreword,
 - 4.1.2 Page 32 – Inclusion of Cost Transparency details,
 - 4.1.3 Page 37 – Inclusion of TCFD Reporting,
 - 4.1.4 Page 84 – Receipt of AVC statement from Prudential,
 - 4.1.5 Page 85 – Receipt of related party declarations from members of the Pension Fund Committee.

5. Findings and feedback from External Audit fieldwork

- 5.1 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"

- 5.2 The Pension Fund's opinion cannot be finalised until the Council's audit has concluded.
- 5.3 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 £10.274m. This value is below materiality thresholds.

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

6. Relevant Pension Fund Objectives

- 6.1 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.
- 6.2 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.
- 6.3 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.
- 6.4 To continually monitor and measure clearly articulated objectives through business planning.
- 6.5 To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- 6.6 To provide scheme members with up-to-date information about the scheme in order that they can make informed decisions about their benefits.
- 6.7 To seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.

7. Finance and Resources Implications

- 7.1 None, this paper is for information only.

8. Risk Management

- 8.1 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

Risk No.	Risk	Residual risk rating
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/cambridgeshire/>

9. Communication Implications

- 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.

10. Legal Implications

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

11. Consultation with Key Advisers

- 11.1 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.

12. Alternative Options Considered

- 12.1 Not applicable.

13. Background Papers

- 13.1 Not applicable.

14. Appendices

- 14.1 Appendix 1 Annual Report and Statement of Accounts 2021-22
14.2 Appendix 2 ACCESS Annual Report
14.3 Appendix 3 ISA260 2021-22 Report

Checklist of Key Approvals

Is this decision included in the Business Plan? Not applicable.

Will further decisions be required? If so, please outline the timetable here No.

Is this report proposing an amendment to the budget and/or policy framework? No.

Has this report been cleared by Chief Finance Officer/Section 151 Officer? Yes.

Has this report been cleared by Head of Pensions? Yes.

Has the Chair of the Pension Fund Committee been consulted? Yes.

Has this report been cleared by Legal Services? Yes.