

Report title: Pension Fund Annual Report and Statement of Accounts 2019/20

To: Audit and Accounts Committee

Meeting Date: 30<sup>th</sup> October 2020

From: Ben Barlow – Fund Accounting Manager - Pensions

Electoral division(s): None

Forward Plan ref: Not applicable

Key decision: No

Recommendation: That the Audit and Accounts Committee:

1. Approves the Final Statement of Accounts and note the Annual Report of the Pension Fund for the 2019/20 financial year.
2. Views 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 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020 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 2019/20 (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 of the Fund, with the notes to the accounts providing further information. A copy of the Annual Report and Statement of Accounts (SOA) can be found at Appendix 1.
- 2.2. The net decrease for the year was £194.9m, with the Fund's net assets falling to £2,998m.
- 2.3. Contribution receipts increased slightly from £124.5m to £126.5m. The increase in contributions payments reflects the growth in the number of active members during the year.
- 2.4. Benefit payments have increased to £107.9m from £106.3m. The increase in pension payments reflects the growth in the number of pensioners during the year.
- 2.5. Administration expenses have increase during the year due to expenditure relating to 2018/19 being paid in 2019/20. Oversight and governance costs have increased due to the Fund compliance with the CIPFA Management Expenses guidance. Classifying all actuary, legal and consultancy costs within Oversight and Governance costs instead of previous classifications across Administrative costs and Investment management expenses.
- 2.6. The one-year investment returns as at 31<sup>st</sup> March 2020 was a net market loss of £191.1m. The investment return for the Fund over the financial year was -5.7% compared to the Fund's weighted benchmark return of -3.3% reflecting the financial situation brought about by the COVID-19 pandemic and the active investment management decisions made by the Fund.

- 2.7. Investment Income decreased from £45.5m in 2018/19 to £34.4m in 2019/20 mainly due to a large dividend received in 2018/19 from a pooled investment manager. Investment income is largely impacted by market performance and returns during the year.
- 2.8. Investment liabilities have increased following the implementation of the equity protection strategy.
- 2.9. The number of active employers decreased by 57 to 197 at 31<sup>st</sup> March 2020. Multiple academy trusts are counted as a single employer to reflect the contractual relationship between the Fund and the Trust.

### 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 17 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 2020 and the amount and disposition of the fund's assets and liabilities as at 31 March 2020; and*
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20"*

- 3.2. The report states that the financial statements are clear of material misstatement, and there are no ongoing concerns that require an individual management response.
- 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.

Have the resource implications been cleared by Finance? Yes  
Name of Financial Officer: Chris Malyon 21/10/2020

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 16/10/2020

### 4 Source documents guidance

- 4.1 Appendix 1 Annual Report and Statement of Accounts 2019/20
- 4.2 Appendix A ACCESS Annual Report
- 4.3 Appendix 2 Auditors ISA260 2019/20 report
- 4.4 Appendix 3 Letter of Representation 2019/20