

Pension Fund Annual Report and Statement Of Accounts 2023/24

To: Audit and Accounts Committee

Meeting Date: 30 January 2025

From: Investment and Fund Accounting Manager

Outcome/s: Approval of the Final Statement of Accounts and Annual Report of the Pension Fund for the year 2023/24
Financial year ahead of the Government Backstop date of 28 February 2025.

Recommendation/s: The Committee is recommended to:

- a. approve the Final Statement of Accounts 2023/24 and note the Pension Fund Annual Report for the 2023/24 financial year.
- b. note the findings of external audit documented in the Audit Results Report.

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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 KPMG. 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 2023 to 31 March 2024 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 2023-24 (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. Main Issues

New Guidance

- 2.1. The Scheme Advisory Board issued new Annual Report Guidance for Pension Funds in March 2024. The purpose of the new guidance is to assist local government pension funds with the preparation and publication of the pension fund annual report, as required by regulation 57 of the Local Government Pension Scheme Regulations 2013. It also aims to ensure that reporting across the scheme is consistent and provides comparable data for all funds.
- 2.2. The guidance applies to 2023-24 annual reports and later years. For annual reports covering 2023-24, funds have been advised to use their best endeavours to comply fully with this guidance.
- 2.3. The external auditors have carried out their consistency checks on the Annual Report before publication and accessibility checks have been completed ready for publication.
- 2.4. The Pension Funds Annual report 2023-24 was approved by the Pension Fund Committee on 2 October 2024 and has been published on the Fund's website before the statutory date for publication, 1 December.

- 2.5. The following terms are used for levels of compliance to the guidance:
- i Must - Compliance is strongly expected. Any non-compliance should be clearly identified in the annual report and an explanation provided.
 - ii Should - Compliance is anticipated but is discretionary. Where non-compliance may be significant or material for the readers the non-compliance should be identified and explained.
 - iii May - Compliance is recommended but is discretionary.
- 2.6. The Fund has made the following changes to adhere to the new guidance, categorised by the above terms:

Must	Should	May
Includes a summary of administration activities, linked to the business plan, undertaken during the year	Actions taken to deliver the communications policy	Freedom of Information Requests received during the year
Additional information included on Key Performance indicators, including casework, communications and engagement, resources, and data quality	More information included about the internal dispute resolution procedure (IDRP), The Pensions Ombudsman and the number of formal complaints received during the year (not through IDRP)	Table showing UK levelling up assets and % of total assets invested in levelling up assets
Further information on asset pooling and plans for the future.	Results from member and employer satisfaction surveys	
Table showing asset class split by pooled, under pooled governance and not pooled	Additional information on the roles of Committee and Board members and training that is required from each member.	
Table showing UK assets split by pooled, under pooled governance and not pooled.	Summary of activities carried out by Committee and Board during the year	
Net savings of pooling	Information on the Fund's conflict of interest policy	
	Breakdown of administration expenses	

- 2.7. A value for money statement is a new requirement with a 'must' compliance. However, due to the time constraints and feasibility the Fund has not been able

to create a robust value for money statement for the 2023-24 report. This will be included in next year's report.

- 2.8. In addition to the above, the annual report includes a summary report at the beginning of the document. This has been added to improve readability, make the report more engaging and signpost key information throughout the document.
- 2.9. A copy of the guidance can be found here: [Preparing the Pension Fund Annual Report - Guidance for Local Government Pension Scheme Funds \(APRIL 2024\) \(lgpsboard.org\)](https://www.lgpsboard.org/Preparing-the-Pension-Fund-Annual-Report-Guidance-for-Local-Government-Pension-Scheme-Funds-APRIL-2024)

Content

- 2.10. The Annual Report content is set out over six sections: -
 - i Preface - provides an introduction to the Annual Report framing the arrangements for the management of the Fund, key officers, a statement of responsibilities and listing key third parties.
 - ii Financial Performance - includes the financial performance of the Fund, contributions received and overpayments.
 - iii Scheme Administration - describes the scheme framework, how the Fund is administered, the Administering Authority's role, membership movements, key performance indicators, employers. In addition, it sets out the communication policy and complaints.
 - iv Governance and Training – sets out the governance arrangements of the Fund, how risks are managed. The section also includes the membership, training and activities of the Pension Fund Committee and Local Pension Board.
 - v Investments – includes the legislation under which investment of Fund assets is undertaken, the Fund's investment strategy and performance including commentary and financial information on asset pooling. The Fund's investment consultant reviews the economic market background for the year and the future outlook and Annual Climate Report.
 - vi 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.

Statement of Accounts

- 2.11. The Fund Account and the Net Asset Statement provide a summary of the financial activity with the notes to the accounts providing further information.
- 2.12. The net increase for the year was £526.2m, with the Fund's net assets rising to £4,758m reflecting positive performance during the year.

- 2.13. Contribution receipts have increased from £148.9m to £166.5m. The increase in contributions payments reflects two employers paying their 3-year deficit payments during the first year of valuation.
- 2.14. Benefit payments have increased from £123.5m to £138.7m. The increase in pension payments reflects the growth in the number of pensioners during the year and CPI uplifts to benefits in payment.
- 2.15. The Fund returned 11.7% net of fees on investments during the year, compared with a weighted benchmark return of 14.2%, resulting in a net market gain of £454.1m.
- 2.16. Investment income has increased from £52.6m in to £62.2m mainly due to large income distributions from JP Morgan Infrastructure, Osmosis and interest on cash deposits. Investment income is impacted by market performance however the main returns are reflected in market value increases.

Findings and feedback from External Audit fieldwork

- 2.17. The Pension Fund Statement of Accounts has been subject to external audit fieldwork and KPMG will offer a separate audit opinion on the Pension Fund's Annual Report and Statement of Accounts within their final Audit Results Report.
- 2.18. The Fund's audit by KPMG is not yet complete, however, they issued a Year End Report to the Audit and Accounts Committee (Appendix 2 to this report) to report their findings and provide their updates to the Committee.
Their report communicated:
 - 2.19. There are no unadjusted audit differences.
 - 2.20. There are adjusted audit differences with an impact on net assets of £26.8m identified during the audit. The investment asset balances included a number of estimated asset valuations for Level 3 assets, based on December 2023 actual valuations adjusted for cashflows to the 31 March 2024. The adjustments were made after the December 2024 actual valuations became available for these assets (page 20 of Year End Report to Audit and Accounts Committee for more details).
 - 2.21. There were no matters to report from the audit that, are significant to the oversight of the financial reporting process.
 - 2.22. There is no anticipation for a modified opinion to be issued for Cambridgeshire Pension Fund
 - 2.23. There are two control deficiencies identified from the audit and recommendations for management listed below. Management will work with auditor to better understand the control weakness here and look to increase assurance over what already exists.
 - i Review of Cambridge and Counties Bank valuation
 - ii Authorising and approving transactions with related parties
- 2.24. Final fees are included on page 15 of the Year End Report to the Audit and Accounts Committee

3. Appendices

3.1 Appendix 1 – Annual Report and Statement of Accounts 2023/24

3.2 Appendix 2 – Year End Report to the Audit and Accounts Committee for the year ended 31 March 2024

4. Source documents

4.1 None