



# Northumberland County Council

## **AUDIT COMMITTEE**

25 NOVEMBER 2020

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### **Pension Fund Annual Report and Accounts 2019-20**

Report of Chris Hand – Executive Director of Finance

Cabinet Member: Councillor Nicholas Oliver – Cabinet Secretary and Portfolio Holder for Corporate Services

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### **Purpose of the Report**

The purpose of this report is to provide the Audit Committee with an overview of the key issues related to the Council's 2019-20 Pension Fund Annual Report and to assist Members in carrying out their role in reviewing the Financial Statements.

### **Recommendations**

**It is recommended that the Members of the Audit Committee:**

- 1. Approve the Pension Fund Annual Report and Accounts 2019-20.**

### **Link to Corporate Plan**

This report is relevant to all priorities included in the NCC Corporate Plan 2018-2021.

### **Key Issues**

The Northumberland County Council Pension Fund (NCCPF) Annual Report and Accounts forms part of the Northumberland County Council Financial Statements, reflecting the legal status of the Fund as part of NCC. The LGPS Regulations also require a separate Annual Report and Accounts for the Pension Fund.

The points to note from the 2019-20 Pension Fund accounts are:

- whilst the number of active LGPS members of NCCPF has increased in the year to 31 March 2020, so has the number of pensioner members; and;
- the decrease in Fund value during 2019-20 reflects **-7.5%** returns on investments also experienced by funds generally over that period.

## **BACKGROUND**

1. The Pension Fund Annual Report and Accounts 2019-20, which has previously been circulated, has been compiled in accordance with the requirements of the Accounts and Audit Regulations 2015; the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2019-20 the Service Accounting Code of Practice (SeRCOP); and, other best practice guidance issued by CIPFA.
2. The Pension Fund Annual Report and Accounts 2019-20 will be certified as consistent with the Council's Statement of Accounts by the External Auditors, Mazars LLP. The audit is due to be completed by the end of November 2020. The results of the external audit will be reported to the Audit Committee.
3. The draft Pension Fund Annual Report and Accounts 2019-20 were presented to the 21 June 2020 meeting of the LGPS Local Pension Board.
4. Although substantially complete at the time of writing this report the External Auditors were still finalising some of their testing. If any changes are made from this work a list of changes will be tabled at the meeting.
5. The final version of the Annual Report will be sent to all of the employers participating in the Fund and other interested parties and published on Northumberland County Council's website.
6. Northumberland County Council Pension Fund merged into Tyne and Wear Pension Fund on 1 April 2020. The Local Government Pension Scheme (Northumberland and Tyne and Wear Pension Fund Merger) Regulations 2020 (UK Statutory Instrument 2020 No 502) came into force on 3 June 2020 giving this merger retrospective effect. All assets and liabilities of Northumberland County Council Pension Fund became the assets and liabilities of Tyne and Wear Pension Fund on 1 April 2020, and therefore Northumberland County Council Pension Fund's final day as a reporting entity was **31 March 2020**.
7. The Merger Regulations removed Northumberland County Council from the LGPS Regulations as a body required to maintain a LGPS fund from 1 April 2020.

## CONTENTS OF THE PENSION FUND ANNUAL REPORT AND ACCOUNTS

1. The following table summarises the purpose of the key statements and other elements of the Pension Fund Annual Report and Accounts:

<b>Statement</b>	<b>Purpose</b>
Management	List of the management arrangements of the Fund including investment managers, advisors and key service providers.
Investment Strategy Statement	Basis on which investments will be made on behalf of the Fund to meet its future liabilities.
Funding Strategy Statement	Statement of how the Fund will meet its long term liabilities whilst maintaining contribution rates as nearly constant as possible.
Communication Strategy Statement	Description of how the fund will communicate with stakeholders.
Governance Policy and Compliance Statement	Description of the governance arrangements of the Pension Fund Panel which oversees the administration of the Pension Fund and assessment of compliance with governance standards.
Pension Fund Panel training	Description of the training undertaken by the Pension Fund Panel.
Assessment of the effectiveness of the Pension Fund Panel decisions made in 2019-20	Description of the work during the year of the Pension Fund Panel which oversees the administration of the Pension Fund and is the decision makers in making Fund investments.
Annual Report of Northumberland County Council's LGPS Local Pension Board 2019-20	Report by the Chair of the Local Pension Board which assists the Administering Authority to ensure effective and efficient governance and administration of the Fund.
Administration	Description of how the Fund was administered over the year.
Scheme Members	Summary of the number of employers and members of the Fund.

<b>Statement</b>	<b>Purpose</b>
Value for Money	Description of the Fund's approach to achieving value for money.
Fund Performance	Analysis of the returns made by the Fund's investments and the associated investment costs. Context is provided over time and against the benchmark returns expected for asset categories.
Market Commentary	Description of the investment market conditions for the year and the Funds relative performance over that period.
Independent Auditor's Opinion	Statement from the Auditor that the Pension Fund financial statements are consistent with NCC's annual statement of accounts.
Fund Account	Summary of income received and costs incurred by the Fund during the year. These principally comprise contributions received from members and employers, payments made to pensioners, returns on investments and fund expenses.
Net Assets Statement	Net Assets of the Fund as at 31 March 2020 made up of investments, current assets and current liabilities.
Notes Supporting the Pension Fund Accounts	Notes providing further detail to support the Fund Account for the year and the Net Asset Statement at 31 March 2020.
Fund Membership	List of Employers within the Fund and the number of members categorised between active pensioner and deferred status as at 31 March 2019.
Statement of the Actuary	Report of the Actuary on the actuarial valuations included in the statements.
Whole of Pension Fund IAS26 Disclosure	The present value of retirement benefits and assumptions made by the Actuary in calculating these liabilities.

## REVIEW OF THE PENSION FUND ANNUAL REPORT AND ACCOUNTS

1. As explained in the introduction to the Annual Report, the total market value of the Fund, net of liabilities, has decreased from £1,400.362 million to £1,297.150 million over the year to 31 March 2020. This decrease in value reflects the fact that payments made from the Fund have greater than the annual return on the Fund (comprising income and realised and unrealised gains and losses on investments) together with receipts to the Fund in the year, and the investment return on the Fund of **-7.5%**.

Members' attention is drawn particularly to **pages 71 and 72** of the draft Annual Report, which show the financial position for the Fund as a whole. The Fund Account, on page 71, shows all of the receipts to and payments from the Pension Fund in the year.

2. As in prior years, Northumberland County Council Pension Fund's Annual Report and Accounts have been prepared as a stand-alone document as well as forming part of Northumberland County Council's main Annual Financial Statements. There is a legal requirement to prepare a separate Annual Report for the Fund and the County Council's external auditors, Mazars, are required to express a separate "consistent with" audit opinion on the Fund accounts.
3. Note that the requirement to prepare a separate Annual Report and Accounts for the Fund and to have a separate audit opinion does not reflect any change in the legal status of the Pension Fund. Legally, the Pension Fund is part of Northumberland County Council: it is not a separate legal entity.
4. The LGPS Regulations require the separate Annual Report for the year ended 31 March 2020 to be published before 1 December 2020. The final signed version of the Annual Report will be posted to the NCC website after it has been signed at this Audit Committee to ensure this deadline is met.
5. A small number of changes have been made to the Draft Pension Fund Annual Report and Accounts previously circulated.
  - a. In the Fund Account statement the description Net withdrawals from dealing with members was amended because in 2019-20 there are net additions from dealing with members.
  - b. In note 2 Accounting Policies explicit mention was added of compliance with CIPFA guidance on accounting for management expenses, i.e. grossing income and investment management expenses up by the value of fees netted from investment valuations by investment managers. This practice has been in place since the CIPFA guidance was issued but is not referred to.

- c. In note 2 Accounting policies the section detailing the treatment of taxation has been removed due to the lack of any tax transactions at the suggestion of the auditor.
- d. In note 2 Accounting policies a section detailing the treatment of outstanding commitments was added at the suggestion of the auditor.
- e. In note 3 Critical judgements in applying accounting policies the section describing treatment of unquoted private equity and infrastructure investments has been removed at the suggestion of the auditor that it is not required.
- f. In note 5 Contributions additional analysis by employer type has been added.
- g. In note 15 Significant holdings the value of Wellington Multi Sector Credit was updated from 70.23 to 65.20.
- h. In note 16 Additional voluntary contributions (AVCs) the aggregate value of the AVC investments with Prudential was amended to £1,963,346 from £2,263,346.

## IMPLICATIONS ARISING OUT OF THE REPORT

<b>Policy:</b>	None.
<b>Finance and value for money:</b>	The Pension Fund Annual Report and Accounts summarises the financial performance of the Fund for the 2019-20 financial year and shows its net worth as at 31 March 2020.
<b>Human Resources:</b>	None.
<b>Legal:</b>	None.
<b>Procurement:</b>	None.
<b>Property:</b>	None.
<b>Equalities:</b>	None.
<b>Risk Assessment:</b>	The risks within the preparation of the Pension Fund Annual Report and Accounts are well managed through the embedded processes in place.
<b>Crime &amp; Disorder:</b>	None.
<b>Customer Considerations:</b>	None.
<b>Carbon Reduction:</b>	None.
<b>Consultation:</b>	Portfolio Holder for Corporate Services.
<b>Wards:</b>	All.

### Background Papers:

Northumberland County Council Draft Pension Fund Annual Report and Accounts 2019-20

### Report sign off:

Deputy Monitoring Officer/Legal	Helen Lancaster
Executive Director of Finance & S151 Officer	Chris Hand
Chief Executive	Daljit Lally
Portfolio Holder	Nicholas Oliver

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