

## **PENSION FUND ANNUAL REPORT AND ACCOUNTS 2021-22**

Report of the Director of Finance and Public Value

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

Recommendation: that the Committee be asked:

1. To note the position on the audit of the 2020/21 Pension Fund Statement of Accounts.
2. To approve and adopt the Pension Fund Annual Report and Accounts for 2021/22, subject to approval of the Statement of Accounts by the Devon County Council Audit Committee and completion of the external audit.
3. To approve the submission of the unaudited Pension Fund Annual Report and Accounts to the Financial Reporting Council for assessment against the requirements of the UK Stewardship Code.

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### **1. Introduction**

- 1.1 The Pension Fund Annual Report, including the Statement of Accounts, is brought to the Committee each year for approval. The draft report for 2021/22 is enclosed.
- 1.2 The Pension Fund Accounts are required to be included within the Devon County Council Statement of Accounts, which are not due to be considered by the Council's Audit Committee until November. In July Parliament amended the Accounts and Audit Regulations to put back (for one year only) the date by which the audited accounts should be published from 30 September 2022 to 30 November 2022. The Audit Committee is now scheduled to receive the Statement of Accounts for approval (and the auditor's report) at its meeting on 29 November.
- 1.3 The Investment and Pension Fund Committee's role is to approve the full Annual Report which contains the statement of accounts together with other information about the Fund's performance during the year. However, this will be subject to the approval of the Accounts by the Audit Committee in November and completion of the external audit. It will not be possible to formally publish the Annual Report until the audit has been completed.
- 1.4 The audit findings report for the Pension Fund will be presented at a future meeting.

## **2. Audit of the 2020/21 Statement of Accounts**

- 2.1 The external audit of the Devon Pension Fund Statement of Accounts for 2020/21 was completed by December 2021. However, the Pension Fund Statement of Accounts also forms part of the Devon County Council Statement of Accounts. The audit of the County Council's 2020/21 Statement of Accounts has yet to be completed. This is in part due to additional work required by audit regulations and also the limited resources available to the Council's external auditors. However, the audit has also been caught up in a national issue over the correct methodology for valuing infrastructure assets.
- 2.2 Until this issue is resolved, the audit of the County Council accounts cannot be completed and until the audit of the County Council accounts is completed, an audit opinion cannot be issued on the Pension Fund Statement of Accounts for inclusion in the Annual Report.
- 2.3 LGPS Regulations require the Annual Report to be published by 1<sup>st</sup> December following the conclusion of the financial year. Therefore, the Pension Fund Annual Report 2020/21 was provisionally published on the Fund website without the audit opinion. The Annual Report will remain as provisional until the external auditor has completed the audit of Devon County Council's statement of accounts and is able to issue the audit opinion on the Pension Fund Statement of Accounts for inclusion.
- 2.4 This issue has affected many LGPS administering authorities. As a result, there have been calls for the regulations to be changed such that the Pension Fund Accounts should be treated as completely separate from the host authority's statement of accounts, so that the publication of the Pension Fund Annual Report would not be held up by issues with the host authority's accounts.

## **3. Annual Report and Statement of Accounts 2021/22**

- 3.1 The Annual Report has been compiled in compliance with guidance issued by CIPFA (the Chartered Institute of Public Finance and Accountancy) in March 2019. The general principles in compiling the Pension Fund accounts are those recommended by CIPFA. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.
- 3.2 The Annual Report includes:
- A forward from the Chair of the Investment and Pension Fund Committee.
  - An introduction from the Director of Finance and Public Value outlining the major issues during the year.
  - Details of the training that members have received as required by the CIPFA Code of Practice on Knowledge and Skills.
  - Details of attendance at both the Investment and Pension Fund Committee and the Pension Board.
  - A market update from the Fund's Independent Advisor.

- An annual report detailing the work of the Pension Board.
- A section on investment pooling, setting out the costs and savings to date resulting from the pooling initiative.
- A cost transparency section highlighting the underlying investment costs over and above those included in the statement of accounts.
- The Fund's key risks from the Risk Register and the mitigating controls.
- Details of the voting and engagement activity undertaken during the year in relation to the Fund's responsible investment policies set out in the Investment Strategy Statement.
- Details of the carbon footprint of the Fund's equity investments and the Fund's approach to climate change.
- A summary of the performance of the Fund's external managers, including reports on the Brunel Pension Partnership managed portfolios and the funds still managed outside of the pool.
- Details of pension fund income and expenditure for the year against the budget forecast, and explanation of significant variances.
- Details of the employee and employer contributions paid during the year, split by employer.
- Pensions Administration Performance – additional information on value for money and key performance data in relation to pensions administration.
- The Statement of Accounts. This includes adjustments identified since the formal publication of the Devon County Council unaudited statement of accounts 2021/22 on the Council's website.
- More detailed information about the operation of the Fund.
- Details of the Fund's top equity and bond holdings and property and private markets funds. Given that all of the Fund's equity and bond investments are now in pooled funds this is compiled on a "look through" basis showing the top underlying holdings within the pooled funds that the Fund is invested in.
- The Fund's statutory statements.

3.3 In particular, the section on Stewardship and Engagement has been strengthened further, taking note of the feedback received from the Financial Reporting Council (FRC) with regard to last year's report. A copy of the Annual Report will need to be submitted to the FRC during October for assessment in order to retain the Fund's status as a signatory to the UK Stewardship Code.

#### **4. Conclusion**

3.1 The Committee is asked to adopt the Pension Fund Annual Report and Accounts for 2021/22, subject to approval of the Statement of Accounts by the Audit Committee and completion of the external audit. The Committee is also asked to approve the submission of the unaudited Pension Fund Annual Report and Accounts to the Financial Reporting Council for assessment against the requirements of the UK Stewardship Code.

Angie Sinclair  
Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972:

List of Background Papers: Nil

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