

PENSION FUND ANNUAL REPORT AND ACCOUNTS 2022-23

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.

1) Recommendation

That the Committee be asked to:

- (a) Note the position on the audit of the 2020/21 and 2021/22 Pension Fund Statement of Accounts.
- (b) Approve and adopt the Pension Fund Annual Report and Accounts for 2022/23, subject to approval of the Statement of Accounts by the Devon County Council Audit Committee and completion of the external audit.
- (c) 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.

2) Introduction

- 2.1 The Pension Fund Annual Report, including the Statement of Accounts, is brought to the Committee each year for approval. The draft report for 2022/23 is enclosed.
- 2.2 The Pension Fund Accounts are required to be included within the Devon County Council Statement of Accounts, which have yet to be considered by the Council's Audit Committee. Following the Covid pandemic, the deadline by which the audited accounts should be published was extended to 30th November, but this has now reverted to the previous deadline of 30th September. However, publication of the accounts will depend on the Council's external auditors being able to complete the audit.
- 2.3 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 and completion of the external audit. It will not be possible to formally publish the Annual Report until the audit has been completed.
- 2.4 The audit findings report for the Pension Fund will be presented at a future meeting.

3) Audit of Previous Years' Statement of Accounts

- 3.1 The Pension Fund Statement of Accounts also forms part of the Devon County Council Statement of Accounts. At the time of writing this report, the external auditors have yet to issue audit opinions on the Authority's Statements of Accounts for 2020/21 and 2021/22. Initial delays to the audits for both years were unrelated to the Pension Fund, but due to national issues relating to accounting for Infrastructure Assets. As audit opinions could not be issued, the final version of the Pension Fund Annual Report for those years has yet to be formally published.
- 3.2 The only issue now preventing the issue of the audit opinion for 2020/21 is in relation to ongoing discussions with the Council around agreed audit fees for that audit. Once that has been resolved, Grant Thornton will issue the audit opinion and it will be possible to formally publish the Fund's 2020/21 Annual Report.
- 3.3 Delays to the audit of the 2021/22 accounts have led to a further issue arising in relation to that year. The 2021/22 statement of accounts was produced in the summer of 2022 based on the 2019 triennial valuation and updated by the actuary for conditions at March 2022. Before COVID, audit opinions would have been issued by the end of September and the accounts closed before the results of the triennial review were available. However, because the 2021/22 accounts had not been signed off by the auditors, the results of the 2022 triennial review then became available. The auditors have indicated that this could mean that there is now subsequent information that would mean that the 2021/22 accounts would have to be amended. This issue is still to be resolved, causing further delay to completion of the external audit.

4) Annual Report and Statement of Accounts 2022/23

- 4.1 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 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.
- 4.2 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 each of 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 – Information on value for money and key performance data in relation to pensions administration.
- The Statement of Accounts.
- More detailed information about the operation of the Fund.
- Details of the Fund's top listed equity and bond holdings 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.

4.3 The Devon Fund is currently an accredited signatory of the UK Stewardship Code. The accreditation is based on an assessment of the Fund's stewardship activities as set out in the 2021/22 Annual Report. We have worked to improve the stewardship section of the 2022/23 Annual Report, based on previous feedback. In order to remain accredited, a copy of the Annual Report will need to be submitted to the Financial Reporting Council by 31st October for assessment against the stewardship criteria.

5) Conclusion

- 5.1 The Committee is asked to adopt the Pension Fund Annual Report and Accounts for 2022/23, subject to approval of the Statement of Accounts by the Audit Committee and completion of the external audit.
- 5.2 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, in order to retain the Fund's status as a signatory to the UK Stewardship Code.

Angie Sinclair

Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972: List of background papers

Nil

Contact for enquiries:

Name: Mark Gayler

Telephone: 01392 383621

Address: Room 196 County Hall