

CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 17 June 2020
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Report title	Statement of Accounts 2019-2020	
Originating service	Pension Services	
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The Committee is recommended to approve:

1. Delegation of authority to the Chair of Pensions Committee:
 - a. To approve the Statement of Accounts once finalised and certified by the Section 151 officer; and
 - b. To approve the final publication of the Fund's 2019-2020 Annual Report and Accounts following audit in July, consideration of audit opinion and approval of the draft by Pensions Committee in September 2020.

The Committee is recommended to note:

1. The draft Statement of Accounts for West Midlands Pension Fund (incorporating the merger with the West Midlands ITA Pension Fund (WMITA Pension Fund) is currently being finalised and will be subject to audit by the Fund's external auditors, Grant Thornton, with the final version and audit opinion due to be reported to the Committee in September 2020.
2. The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 have extended the statutory accounting deadlines for completion of draft and final Statement of Accounts.

1.0 Purpose

- 1.1 The purpose of this report is to provide the Committee with an update on the progress in finalising the Fund's draft Statement of Accounts for the year ending 31 March 2020.

2.0 Background

- 2.1 Local Government Pension Scheme (LGPS) funds are ordinarily required by law to produce a Statement of Accounts by 31 May each year. These must be subject to external audit and published no later than 31 July.

However, considering recent events due to Covid 19, timescales for closing and auditing of accounts for the current year have been extended. With effect from 30 April 2020 and applicable to the Statement of Accounts for the year ended 31 March 2020 only, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 extend the above statutory accounting deadlines to 31 July and 30 November 2020 respectively.

- 2.2 In preparing their accounts, funds must have regard to proper practice and to any guidance which has the effective standing of 'statutory guidance'. These are for the Statement of Accounts, 'The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20' (CIPFA) ('the Code').
- 2.3 As well as being published in the Fund's own annual report, its accounts must be included in the Statement of Accounts of the Administering Authority (in this case, the City of Wolverhampton Council). It is important to note that the transactions and balances of the Fund are completely separate and not combined with those of the Administering Authority.
- 2.4 This year, the draft accounts are required to be certified by the Section 151 Officer on or before 31 August 2020. This certification will be provided by the City of Wolverhampton Council's Director of Finance.
- 2.5 The Committee will receive a further report in September presenting the final version of the Statement of Accounts for publication with the Annual Report and the findings of the external auditor's work including their audit opinion. Under the City of Wolverhampton Council's constitution, formal approval of the audited Statement of Accounts rests with its Audit Committee; this does not apply to the other parts of the Annual Report which will be presented to Pensions Committee for approval.

3.0 Accounts Closure and Preparation of the Annual Report

- 3.1 Despite extraordinarily challenging circumstances this year which have created new and unanticipated conflicting pressures, the Fund has succeeded in preparing its draft Statement of Accounts (incorporating merger with the WMITA Pension Fund), currently in the process of final review, in time to allow the external audit to follow closely the timetable outlined in Grant Thornton's Audit Plan as presented to Committee in March.

In practice the timetable has been delayed by 2-3 weeks, impacting the timing of reporting to the Pensions Committee.

- 3.2 An Annual Report will be prepared to include the finalised version of the Statement of Accounts and presented to the September meeting of the Pensions Committee.
- 3.3 With effect from 2017/18, the accounts closure timetable was brought forward significantly with certification of draft accounts required by the end of May and the audited accounts to be published by the end of July. As noted above, for the 2020 year-end, timescales have been extended in view of the anticipated impact of Coronavirus on Authorities meeting the statutory deadlines. Authority has previously been delegated to the Chair of Pensions Committee to approve the final publication of the 2019/20 Annual Report and Accounts following audit in July and approval of the draft Statement of Accounts by Committee in June. The recommendation within this report reflects the revised timetable and change in order of events for 2020.
- 3.4 The Fund's external auditors have already undertaken interim audit work with the Fund, testing the investments valuations and transactions records to end of December 2019. In addition the auditors have, undertaken review work on the WMITA Pension Fund and the unitisation of the two separate funds with no concerns on the implementation and operation of the unitised funds ahead of transfer to the Admitted Body Separate Funds.

4.0 Draft Statement of Accounts 2019/20

- 4.1 The purpose of the Statement of Accounts is to report the Fund's financial performance for the year and its balances and reserves at the year-end. There are two primary statements: The Fund Account, which is concerned with transactions during the year and the Net Assets Statement which reports balances at the year-end. These are supplemented by a series of notes to the accounts which expand on items in the primary statements or provide further information about the Fund.
- 4.2 During 2019/20, the market value of the Fund, fell by some £0.42 bn, primarily due to falls in investment assets of £0.72bn.
- 4.3 It is worth noting that the balance of contributions and benefits is negative in 2019/20 by £0.27 bn due to most of the Council bodies having already paid three years Future Service and Past Service Deficit contributions in advance in 2017/18 (based on the 2016 Actuarial Valuation). The balance between the two is likely to be positive in 2020/21 as in April 2020, Councils have again paid significant amounts of contributions in advance following the results of the March 2019 triennial Actuarial Valuation.

The figure for contributions receivable includes £19.2 million paid by employers to cover early retirement strain costs, reflecting the additional contributions received as a result of employer staffing decisions taken during the year.

- 4.4 Net assets of the Fund at 31 March 2020 stood at £15.3 billion, down from £15.7 billion at 31 March 2019. This comprised investment assets of £14.9 billion, an insurance contract valued at £229m and working balances of £122 million.
- 4.5 The Fund has taken the option under the Code to disclose the present value of all fund employer pension liabilities in a note to the accounts. This value, calculated on an IAS 19 basis, stood at £23.1 billion at 31 March 2020. This is an increase on the 31 March 2019 figure of £22.4 billion as it includes WMITA Pension Fund liabilities of £0.5 billion and the net impact of adjustments to the actuarial assumptions was to increase liabilities.
- 4.6 The draft Statement of Accounts for the West Midlands Pension Fund is currently being prepared for audit. The Statement of Accounts will be issued to Committee when finalised.

5.0 Investment Management Costs 2019/20

- 5.1 CIPFA guidance introduced in 2014 requires the disclosure of all investment management costs including fees which are deducted at source by external investment managers. External investment management costs in aggregate amounted to £81.7m up from £79.3m of which those deducted at source saw a further increase on the prior year at £67.7million up from £62.2 million. Reported costs include performance fees and transaction costs (both within and between investment sub-funds). The Fund has been gathering cost transparency data from its external managers and at this time is completing validation the data received to ensure accuracy and consistency in reporting by Fund managers. The following table analyses the total investment management costs reported above:

	Actual 2018/19 £m	Actual 2019/20 £m
External Investment Management Costs – Invoiced	13.3	10.5
External Investment Management Costs – Deducted at Source	62.2	67.2
External Investment Management Costs – LGPS Central	3.8	4.0
Total External Investment Management Costs	79.3	81.7
Internal Investment Management Costs	0.6	0.9
Total Investment Management Costs	79.9	82.6

6.0 Financial implications

- 6.1 The financial implications are discussed in the body of the report.

7.0 Legal implications

- 7.1 The Statement of Accounts of the Administering Authority (of which the Fund's accounts form part) must be prepared in accordance with the statutory framework established by the Accounts and Audit Regulations 2015. The audit of the financial statements will be undertaken in accordance with the statutory framework established by sections 3 and 20 of the Local Audit and Accountability Act 2014.
- 7.2 The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, came into force on 30 April, extend the publication date for local authority audited accounts to 30 November 2020 with the public inspection period starting on the first working day of September 2020.
- 7.3 Under LGPS Regulations, Administering Authorities are required to produce and publish a pension fund annual report, including information about the management and financial performance of the Fund by 1 December each year.

8.0 Equalities implications

- 8.1 This report has no equalities implications.

9.0 Environmental implications

- 9.1 This report has no environmental implications.

10.0 Human resources implications

- 10.1 The report has no human resources implications.

11.0 Corporate landlord implications

- 11.1 This report has no corporate landlord implications.

12.0 Schedule of background papers

- 12.1 Budget Monitoring 2019/20 and Quarterly Accounts to September 2020 – 21 January 2020 - Pensions Committee
- 12.2 External Audit Plan 2020-2021 – 25 March 2020 - Pensions Committee