

Pensions Board

19 October 2021

Report title	Annual Report and Accounts 2020/2021	
Originating service	Pension Services	
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Recommendations for noting:

The Pensions Board is recommended to note:

1. The Statement of Accounts for West Midlands Pension Fund (WMPF) for the year ending 31 March 2021 was audited and completed alongside the finalisation of the City of Wolverhampton Council Statement of Accounts in the week commencing 11 October.
2. Grant Thornton's Audit Findings Report for West Midlands Pension Fund (WMPF).
3. The draft Annual Report for WMPF is being considered by Pensions Committee and will then be subject to audit by the Fund's external auditor, Grant Thornton.

1.0 Purpose

- 1.1 The purpose of this report is to update the Board on the preparation, approval and audit of the Statement of Accounts and the Annual Report for the year ending 31 March 2021 and the latter's publication on the Fund's website.

2.0 Background

- 2.1 Local Government Pension Scheme (LGPS) funds are required by law to produce a Statement of Accounts and an Annual Report. Normally, these must be subject to external audit and published no later than 31 July (accounts) and 1 December (Annual report) respectively.

With effect from 31 March 2021 and applicable to the Statement of Accounts for the year ended 31 March 2021 the Accounts and Audit (amendment) Regulations 2021 extended the publication deadline for the Statement of Accounts to 30 September 2021.

- 2.2 The draft Statement of Accounts which was published on 21 June and approved by Pensions Committee on 23 June has since been audited by the Fund's external auditor, Grant Thornton.

Grant Thornton's findings for WMPF are summarised in their "Report to those charged with governance" (ISA 260 report) a copy of which is attached at Appendix A.

- 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 remain completely separate and are not combined with those of the Administering Authority.
- 2.4 As at 30 September 2021, the Administering Authority's external auditor, Grant Thornton UK LLP, had not yet concluded the audit of the Statement of Accounts for City of Wolverhampton Council. A notice of delayed audit was published by the Council in accordance with Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015.

3.0 Audit Findings

- 3.1 Having completed the audit of the West Midlands Pension Fund Statement of Accounts, Grant Thornton will issue an unqualified audit opinion for the Fund upon the finalisation of the audit of the City of Wolverhampton Council Statement of Accounts in the week commencing 11 October..

Grant Thornton carried out additional work again this year to test the Fund's processes and controls in preparing and providing information for IAS19 disclosures and issued their annual assurance letters to relevant employers' external auditors on 30 September 2021.

3.2 There is one adjustment that the Fund is making voluntarily to the draft Statement of Accounts presented to Pensions Committee and Local Pensions Board in June/July and published on the City of Wolverhampton Council website. Subsequent to preparation of draft accounts, a reconciliation of the pensionable salary used in order to calculate payment in advance future service contributions under contribution agreements the Fund has with certain employers for the year against actual pensionable salaries for 2020/21 revealed contributions of some £2.2m due to the Fund. The Fund is accounting for these in the finalised Statement of Accounts by the creation of an additional accrual at 31 March 2021.

The effect of this change is to increase the Net assets of the Fund at 31 March 2021 from £18.913m as reported in June to £18.915m per the final Statement of Accounts.

4.0 Draft Annual Report 2020/21

4.1 The draft Annual Report has been issued to all Local Pensions Board and Pensions Committee members. The contents of the Annual Report are as follows:

- Introduction
- Management and Financial Performance
- Investment Policy and Performance
- Scheme Administration Report
- Actuarial Report
- Governance Arrangements
- Statement of Accounts
- Pensions Administration Strategy
- Funding Strategy Statement
- Investment Strategy Statement
- Communications Policy Statement
- Further Information

4.2 The Annual Report provides a thorough review of the Fund's activities during the year and notes some particular successes including:

- Winning the UK Pensions Age Pensions Marketing Campaign of the Year award in July 2021.
- Being shortlisted for awards in governance, investment and administration at the Local Authority Pension Fund awards in Autumn 2021.
- Becoming the first LGPS fund in England & Wales to attain accredited member status with the Pensions Administration Standards Association (PASA).
- Ending the year with an annual return of 20.6% to more than recover the falls seen in March 2020 despite challenging market conditions.
- Providing business as usual services and evolving working practices through an extended period of remote working; retaining services including customer services fully and safely open off site.

- Playing a key role in launching the Asset Owner Diversity Charter seeking to promote greater diversity and inclusion in the investment management industry.

5.0 Financial implications

5.1 The financial implications are discussed in the body of the report.

6.0 Legal implications

6.1 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 is undertaken in accordance with the statutory framework established by sections 3 and 20 of the Local Audit and Accountability Act 2014.

6.2 The Accounts and Audit (amendment) Regulations 2021 came into force on 31 March and extend the publication date for local authority audited accounts to 30 September 2021 with the public inspection period starting on the first working day of August 2021.

6.3 A notice of delayed audit was published by the Council in accordance with Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015, reflecting Grant Thornton's ongoing audit as at 30 September 2021.

6.4 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.

7.0 Equalities implications

7.1 This report has no direct equalities implications.

8.0 All Other implications

8.1 This report has no other implications.

9.0 Schedule of background papers

9.1 None.

10.0 Schedule of appendices

10.1 Appendix A – Grant Thornton Audit Findings Report, WMPF