

AUDITED ANNUAL REPORT INCLUDING THE AUDITED STATEMENT OF ACCOUNTS FOR 2020-21

Introduction

1. This report provides the Committee with the Annual Report including the Audited Statement of Accounts to 31 March 2021 (Appendix A) and the Audit Findings Report prepared by Grant Thornton (Appendix B).

Recommendation

2. The Committee is asked to:
 - a) Receive the audit findings report from Grant Thornton;
 - b) Receive the Cheshire Pension Fund Annual Report including the Statement of Accounts for the year ending 31 March 2021 and the Local Pension Board Annual Report;
 - c) Request that the Cheshire West and Chester Audit and Governance Committee approve the Cheshire Pension Fund Statement of Accounts for 2020-21 and sign the Letter of Representation.

Background

3. The audit of the Pension Fund is treated as a separate audit by Cheshire West and Chester Council's appointed external auditors, Grant Thornton, recognising its importance in the functioning of local government. This requires the Auditor to issue a separate audit plan and auditor's report for the Fund's Statement of Accounts to those charged with governance for the Fund and to the Pension Fund Committee. The audit does not form a value for money conclusion or undertake a use of resources assessment for the Pension Fund.
4. The draft audit opinions for both the Statement of Accounts and the Annual Report are included within Grant Thornton's Audit Findings Report (AFR) which is appended to this paper (Appendix B).
5. As part of their governance role, the Pension Fund Committee are invited to receive and comment on the Pension Fund's Annual Report and Statement of Accounts for 2020-21, prior to formal approval by Cheshire West and Chester Council's Audit and Governance Committee. The date for this meeting has not yet been finalised.
6. The Fund's accounts will be published in the Cheshire West and Chester Council's final Statement of Accounts for 2020-21, as well as in the Pension Fund's Annual Report.

Local Pension Board Annual Report



7. In accordance with its Terms of Reference, which are derived from Scheme Advisory Board guidance, the Local Pensions Board is required to produce its own Annual Report. The Board Annual Report is contained within the wider Fund Annual Report.
8. The Board's Terms of Reference outline the content to be contained within their report which includes:
 - Attendance at meetings.
 - Details of training undertaken, and events attended.
 - Recommendations made to the Fund, and the Fund's response to those recommendations.
 - Details of costs incurred in the operation of the Board.
9. Details of any recommendations made by the Board, and the Fund's response to them have been contained within the Board's report. There are no outstanding actions.
10. Recognising the distinction between the Board and the Committee, the Committee are simply requested to note the contents of the Local Pension Board Annual Report and not to provide comment.

Changes from the draft accounts

11. The draft accounts were presented to the Pension Fund Committee on 4th June 2021, there have been no changes to the figures in the primary statements as a result of the audit.
12. The following changes have been made to disclosures within the accounts
 - Note 11b External Audit Fee amended to agree with the Annual Plan
 - Note 4.2 Estimation of uncertainty amended to distinguish between material and non-material items of uncertainty
 - Note 18a Classification of Investments, the levels of investments have been reviewed and a number of amendments made to ensure consistency. The note has also been expanded to detail the fair value of assets by investment type (Equities, Pooled Investments etc).
 - Restatement of the Net Asset Statement. A change in the CIPFA code/Example accounts required the investment assets for 2019/20 to be reanalysed within the Net Assets Statement of the accounts. The code requests that if the re-analysis of the Net Assets Statement is material then the previous year's figures should also be shown. Officers consider the inclusion of figures for three financial years will not assist users and have therefore consolidated the analysis of investments to a relatively high level on the Net Assets Statement with the detail shown within Note 13f to the accounts.
 - Minor presentational amendments



Summary and key points of the 2020-21 Statement of Accounts

13. The key points to note on the accounts are as follows (figures in brackets relate to the equivalent 2019-20 position);
- Contributions received exceeded outflows by £7m (-£29.4m). This is primarily due to changes in the phasing of deficit recovery payments from Councils versus their approach after the last valuation in 2016.
 - Employers' contributions increased by £31m to £160m (£129m). The increase is due to the new employer rates in force following the 2019 triennial valuation which came into effect from April 2020.
 - Benefit payments overall are comparable with 2019-20, with a minor decrease of £0.4m, or 0.2% to £190.9m (£191.3m).
 - Investment management expenses, covering internal costs and external fees paid, have increased by £0.7m, or 2.7% to £26.8m (£26.1m). The increase is mainly due to higher performance fees paid in 2020-21 to Investment Managers who outperformed their target.
 - Payments to and on account of members leaving before retirement decreased by £3.5m to £14.5m (£18m). This figure varies each year in line with the number of members moving their benefits to employers outside the Fund, along with the impact of freedom and choice, which allows members to transfer to an external pension and access their benefits.
 - The change in market value of investments including profit and loss on disposal of investments this year was a profit of £1.024bn (loss £74m). In 2020-21 investment returns increased by 18.9% (-1.3%). The returns in 2019-20 were lower due to the impact of Covid-19 in the final quarter to March 2020.
 - The value of net assets, which is the total investment assets including cash adjusted for any short and long term debtors and creditors, as at 31 March 2021 increased by £1.035bn to £6.549bn (£5.514bn). This increase is due to the market value of investment assets having increased, in absolute terms, by £1.155bn to £6.239bn (£5.084bn).
 - The increase in investment asset values is mainly due to growth in equities which have made a significant positive contribution in both absolute and relative terms as all active equity managers outperformed their benchmarks during 2020-21.



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