



Pensions Investment Committee

Draft Pension Fund Accounts – Year Ending 31 March 2022

Date: 6 September 2022

Key decision: No.

Class: Part 2.

Ward(s) affected: None specifically

Contributors: Director of Finance

Outline:

This report presents the draft Pension Fund accounts for the financial year ending 31 March 2022.

Recommendation:

The Committee is asked to review and note the contents of the report.

Timeline of engagement and decision-making

This report is an annual briefing prepared for the Pensions Investment Committee to present the draft Pension Fund Statement of Accounts in line with Members' fiduciary duty as per their terms of reference.

Exclusion of Press and Public: It is recommended that under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting during discussion of this item because it involves the likely disclosure of exempt information as defined in paragraph 3 of part 1 of Schedule 12A of the Act as set out below and the public interest in maintaining the exemption outweighs the public interest in disclosing the information: Information relating to the financial or business affairs of any particular person (including the authority holding that information).

1. Summary

- 1.1. This report sets out the draft Pension Fund accounts for the financial year ending 31 March 2022, as appended.
- 1.2. The accounts were presented to the external auditors, Grant Thornton, on 24 August 2022 and are currently being audited.

2. Recommendations

- 2.1. The Committee is asked to review and note the contents of the report.

3. Policy Context

- 3.1. The overriding policy context for the Pensions Investment Committee are the pension regulations and Members fiduciary duty to the beneficiaries of the Fund.
- 3.2. The Council's strategy and priorities launched its new Corporate Strategy in 2019, with seven corporate priorities as stated below:
 - **Open Lewisham** - Lewisham will be a place where diversity and cultural heritage is recognised as a strength and is celebrated.
 - **Tackling the housing crisis** - Everyone has a decent home that is secure and affordable.
 - **Giving children and young people the best start in life** - Every child has access to an outstanding and inspiring education, and is given the support they need to keep them safe, well and able to achieve their full potential.
 - **Building and inclusive local economy** - Everyone can access high-quality job opportunities, with decent pay and security in our thriving and inclusive local economy.
 - **Delivering and defending health, social care and support** - Ensuring everyone receives the health, mental health, social care and support services they need.
 - **Making Lewisham greener** - Everyone enjoys our green spaces, and benefits from a healthy environment as we work to protect and improve our local environment.
 - **Building safer communities** - Every resident feels safe and secure living here as we work together towards a borough free from the fear of crime.

4. Background

- 4.1. The Council, as an administering authority under the Local Government Pension Scheme Regulations, is required to produce a separate set of accounts for the scheme's financial activities, assets and liabilities.
- 4.2. The contents and format of the accounts is determined by statutory requirements and in accordance with proper accounting practices as defined in the Chartered Institute of Public Finance (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
- 4.3. Whilst presented to the Committee as a Part 2 report due to taking place before Audit Panel discussions, the draft Fund accounts will be presented to Audit Panel in September as a Part 1 paper together with the Council's accounts and group accounts, which are also currently available for the required public inspection period which has

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commenced.

5. Draft Pension Fund Accounts 2021/22

- 5.1. The draft Pension Fund accounts, as appended, were presented to the external auditors, Grant Thornton, on 24 August 2022. The accounts comprise two main statements with supporting notes:
 - The Fund Account details dealings with members, employers and others directly involved in the scheme as well as returns on investments, and essentially represents the Fund's revenue account.
 - The Net Assets Statement details the Fund's asset holdings and liabilities, and essentially represents the Fund's balance sheet.
- 5.2. Within the Fund Account, the section "Dealings with members, employers, and others directly involved in the scheme" sets out the movement in the net worth of the Fund in-year by analysing the receipt of contributions from employers and active members, and the payment of pensions. This section indicates the Fund is cash negative, in that the benefits payable exceed the contributions receivable by £7.2m.
- 5.3. Management expenses are analysed in further detail within the notes to the accounts and includes investment management fees, administration expenses, and oversight and governance costs. When including these expenses, net withdrawals from the Fund during the year total £11m.
- 5.4. The section "Returns on investments" details the income received from the investment portfolio and the impact of manager's activities and market activity on the value of investments. The net return on investments for the year was an increase of £141.4m which includes an increase in market value of £122.6m supplemented by investment income of £18.8m. Overall, the value of the Fund increased by £130.4m during the period.
- 5.5. The Net Assets Statement represents the net worth of the Fund as at 31 March 2022, and reflects how the transactions outlined in the Fund Account have impacted on the value of the Fund's assets.
- 5.6. The section "Net Current Assets and Liabilities" includes debtors and creditors, which represent income and expenditure owing as a result of investment transactions such as interest income and pending trades, and non-investment transactions including contributions owing from admitted and scheduled bodies and fund manager fees.
- 5.7. Members should note that these accounts are draft and subject to change between now and final sign-off. Any such changes will be detailed in working papers for presentation to external audit, and brought to the Committee later in the year as part of the Annual Report.

6. Financial implications

- 6.1. This entire report relates to the draft Pension Fund accounts for the year ending 31 March 2022, as appended.

7. Legal implications

- 7.1. The Accounts and Audit Regulations (2015) specify the process by which the Authority's accounts are initially approved and then examined by an external auditor.

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This process, and the dates by which the various stages have to be achieved, are set out in the Regulations and are binding on the Authority.

8. Equalities implications

8.1. There are no direct equalities implications arising from this report.

9. Climate change and environmental implications

9.1. There are no direct climate or environmental implications arising from this report.

10. Crime and disorder implications

10.1. There are no direct crime and disorder implications arising from this report.

11. Health and wellbeing implications

11.1. There are no direct health and wellbeing implications arising from this report.

12. Background papers

12.1. Appended to this report are the draft Pension Fund accounts for the financial year ending 31 March 2022.

13. Report author and contact

13.1. Katharine Nidd, Head of Strategic Finance, Planning and Commercial,
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