

London Borough of Enfield

GENERAL PURPOSES COMMITTEE

Meeting Date: 4 March 2021

Subject: Enfield Pension Fund Financial Statement for 2019/20

Cabinet Member: Cllr Maguire

Executive Director: Fay Hammond

Key Decision: No

Purpose of Report

1. This report presents the Pension Fund Statement of Accounts for 2019/20 for approval.
2. As part of this meeting agenda, the external auditors, BDO are also tabling their draft report to this Committee, charged with governance (ISA260) for 2019/20.
3. The audited Pension Fund Statement of Accounts 2019/20 is attached as Appendix A to this report.

Proposal(s)

4. The Committee are recommended to:
Approve the audited Pension Fund Statement of Accounts for 2019/20 (attached as Appendix A to this report).

Reason for Proposal

5. The Accounts and Audit Regulations 2015 require that each Local Authority approve its audited financial report statements by the statutory deadline of 31st July each year. The external auditors are required to audit this report and to provide an audit opinion by the same date.
6. The Pension Policy & Investment Committee (PPIC) acts as quasi-trustee to the Pension Fund and as such acts in the capacity of the Administering Authority of the Pension Fund. The PPIC's terms of reference require that the Annual Report and Accounts on the activities of the Fund are presented and approved prior to their publication. The Local Government Pension Scheme Regulations 2013, Regulation 57 require the Pension Fund to publish its report and accounts by 1st December following the financial year end and for the Report to contain a number of standard items.
7. The publication of the Pension Fund Annual Report and Statement of Accounts helps to keep Fund members informed, shows good governance and also helps to demonstrate effective management of Fund assets

Relevance to the Council's Corporate Plan

8. Good homes in well-connected neighbourhoods.
9. Build our Economy to create a thriving place.
10. Sustain Strong and healthy Communities.

Background

11. The final statement of account attached to this report as Appendix A has an overall downward adjustment of £17m compared to the first draft of the accounts. The adjustments were due to unaccounted accrued income of over £400k, omitted rebate fee of some £900k and valuation price adjustments of some £19m to the following investments:
 - i) York Capital Hedge Fund
 - ii) M&G inflation opportunities
 - iii) Davidson Kempner Hedge Fund
 - iv) CFM Hedge Fund
 - v) Blackrock commercial property
 - vi) Adam St Partners fund of funds
 - vii) Antin European Infrastructure
 - viii) CBRE UK secured long income fund

THE STATEMENT OF ACCOUNTS

12. The Accounts comprise two main statements with supporting notes. The main statements are:
 - i) Dealings with members, employers and others which is essentially the fund's revenue account; and
 - ii) The Net Assets Statement which can be considered as the fund's balance sheet.
13. The return on investment section of the accounts sets out the movement in the net worth of the fund in the year by analysing the relevant financial transactions and movements in the market value of the investment portfolio. The statement has two main sections:
 - i) The financial transactions relating to the administration of the fund; and
 - ii) The transactions relating to its role as an investor.
14. Overall, the Fund's assets had decreased further from £17m reported in the draft accounts to £36m in the final accounts for the financial year (the further £19m reduction experienced by the Fund was due to the global custodian using February 2020 valuation positions to close five portfolios at the end of March 2020 as these managers were not able to produce March month end valuations in time). The overall reduction for the year was due to the financial markets under performance in which the Fund held its investments and the contribution of the net withdrawals of the fund expenditure over income.
15. The restated net asset statement represents the net worth (£1,1490m) of the Fund as at the 31st March 2020. The statement reflects how the transactions

outlined in the other statement have impacted on the value of the Fund's assets.

16. The Fund income section of the report principally relates to the receipt of contributions from employers and active members, and the payment of pensions benefits. The section indicates that the Fund is cash positive in that that the receipt of contributions exceeds payments, which stood at £7.1m net additions for 2019/20 compared to net addition of £4.1m in 2018/19.
17. Investment income decreased slightly over the year as expected in line with weakened assets value by some £0.7m. Transfer Values received (amounts paid over when a fund member transfers their benefits from one fund to another) were slightly less by £40k over the year. It is not possible to predict the value of transfer value payments as they are dependent on an individual's length of service and salary and as such may vary significantly. The total contributions increased over the year by £3.9m compared to last year this was due to LB Enfield employer contribution rate increasing from 24.4% to 24.9%.
18. In 2019/20 the overall expenditure increased by some £875k. The major contributors were the overall benefits paid which increased by some £810k over the year. The management expenses went up by £645k and this is combination of an increase in administration costs by £190k, performance fees by £120k and transaction fees by some £400k.
19. Overall, fund membership has increased slightly from 22,281 to 23,123, an increase in membership number of 842. The active members increased by 167 members over the year whilst deferred members increased significantly by 465. Retired membership increased by 210 members.
20. The investment performance section of the report details returns on the investment portfolio, the impact of managers' activities and investment markets on the value of investments.
21. The Audit Plan for the Pension Fund and any reports arising from the audit will also be reported to the Pension Policy & Investments Committee. However, as the pension fund accounts remain part of the financial statements of the Council as a whole, this Committee retains ultimate responsibility for receiving, considering and agreeing audit plans as well as receiving any reports arising from the audit.
22. The External Auditor provides an independent assessment of the Council's Pension Fund financial statements, systems, procedures and performance. The external auditor is required to issue an ISA 260 report, an opinion on the Council's accounts and this include an opinion on the Pension Fund accounts.
23. The audit of the Pension Fund accounts is now complete, and an Audit Completion Report (ACR/ISA 260 report) will be table by the auditor at this meeting. The ACR/ISA 260 report sets out their opinion and any issues which they believe the Committee should be aware of.
24. The Pension Fund audit is being undertaken by BDO and the audit fee is being maintained at £19,000, this would be charged to the Pension Fund.

Safeguarding Implications

25. The report provides clear evidence of sound financial management, efficient use of resources, promotion of income generation and adherence to Best Value and good performance management.

Public Health Implications

26. The Enfield Pension Fund indirectly contributes to the delivery of Public Health priorities in the borough.

Equalities Impact of the Proposal

27. The Council is committed to Fairness for All to apply throughout all work and decisions made. The Council serves the whole borough fairly, tackling inequality through the provision of excellent services for all, targeted to meet the needs of each area. The Council will listen to and understand the needs of all its communities.

Environmental and Climate Change Considerations

28. There are no environmental and climate change considerations arising from this report.

Risks that may arise if the proposed decision and related work is not taken

29. Accounts provide an effective mechanism to safeguard the Council's assets and assess the risks associated with its activities.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

30. Not approving the report recommendations and not adhering to the overriding legal requirements could impact on meeting the ongoing objectives of the Enfield Pension Fund.

Financial Implications

31. The Council as Administering Authority has the responsibility of ensuring that the Pension Fund is administered effectively and efficiently and that arrangements for financial management are properly scrutinised. The performance of the fund affects the level of employer's contribution to the fund.
32. The Pension Fund Statement of Accounts sets out the financial position of the Pension Fund as at 31st March 2020 and acts as the basis for understanding the financial wellbeing of the Pension Fund. It enables Members to manage and monitor the Scheme effectively, helping to ensure that they are able to fully understand the financial implications of the decisions they make.

Legal Implications

33. Regulation 57 of the Local Government Pension Scheme Regulations 2013 imposes a duty on the Council as an administering authority to prepare a pension fund annual report. The report must be published by 1st December following the financial year end.
34. The Council is required to prepare a statement of accounts in accordance with the Accounts and Audit Regulations 2015.

35. The Accounts and Audit Regulations 2015 specify a procedure for signing, approval and publication of a statement of accounts. The chief finance officer is required to sign and date the statement of accounts by 31 May each year, certifying that it presents a true and fair view of the Council's financial position at the end of the relevant financial year and of the Council's income and expenditure for the year. The Audit Committee must approve the statement of accounts by 31 July each year and the statement must be signed by the chair of the meeting at which the accounts were approved. The statement of the accounts must be published by 31 July along with any certificate, opinion or report issued or given by the Local Auditor under the Local Audit and Accountability Act 2014.
36. As indicated in the report, it is consistent with good practice for the committee to see the statement of accounts at an early stage, given that it will be asked to approve the accounts upon completion of the audit.

Workforce Implications

37. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will allow the Council to meet this obligation easily and could also make resources available for other corporate priorities.

Property Implications

38. None

Other Implications

39. None

Options Considered

40. There are no alternative options in so far as the publication of the Statement of Accounts and Annual Reports is a legislative requirement

Conclusions

41. The assets reduced by £36m over the year. The net asset statement represents the net worth (£1,149.4m) of the Fund. This reduction was because of the Covid-19 outbreak turned into a global pandemic. Whereby, global equities sold off sharply after reaching all time highs in mid-February. By end of June 2020 the audited custodian accounts demonstrate the Fund assets appreciated by over £96m due to the bounced back effect of global equity markets.

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Date of report 24th February 2021

Appendices

Appendix A – Enfield Pension Fund Financial Statements For 2019/20