

## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 10 July 2019
<b>Report Subject</b>	Draft Clwyd Pension Fund Accounts 2018/19
<b>Report Author</b>	Corporate Finance Manager

### EXECUTIVE SUMMARY

With effect from the financial year 2017/18, changes to the statutory financial framework removed the requirement to report the Pension Fund accounts with the Flintshire County Council statement of accounts. Instead the pension fund accounts must be reported solely via the Pension Fund Annual Report.

The draft Pension Fund accounts for 2018/19 were considered by the Clwyd Pension Fund Committee on June 12<sup>th</sup> 2019, and are attached as Appendix 1. They are scheduled to be audited by Wales Audit Office in July/August 2019.

The changes in the reporting route mean that the Clwyd Pension Fund requires a separate Annual Governance Statement (AGS). A draft AGS was considered by the Clwyd Pension Fund Committee on June 12<sup>th</sup> 2019 and is attached as Appendix 2.

The audited Pension Fund accounts will be submitted to the Clwyd Pension Fund Committee for approval on 4th September 2019 as part of the Pension Fund Annual Report, as will the AGS.

### RECOMMENDATIONS

1	That Audit Committee Members consider the report.
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### REPORT DETAILS

<b>1.00</b>	<b>Annual Accounts</b>
1.01	<p><b>Governance</b></p> <p>The Accounts and Audit (Wales) 2018 Regulations removed the requirement to report the pension fund accounts along with the Flintshire County Council statement of accounts. Instead the pension fund accounts must be reported solely via the Pension Fund Annual Report. The LGPS Regulations 2013, as amended, require the Fund to publish an Annual</p>

	<p>Report before 1st December. This is a later deadline to the County Council statement of accounts which is 15<sup>th</sup> June for submission to external audit with a 15<sup>th</sup> September publication deadline. However, in practice, it is intended that the timetable for the completion of the Pension Fund accounts will be broadly similar to the Council's accounts.</p> <p>The separation of the Pension Fund accounts from the main County Council statement of accounts means that the Pension Fund accounts are subject to separate approval by Members. The 6th June 2018 meeting of the Audit Committee delegated approval of the Pension Fund accounts to the Clwyd Pension Fund Committee. The same meeting agreed that the Audit Committee would still receive the draft accounts for consideration.</p> <p>The draft Pension Fund accounts for 2018/19 were considered by the Clwyd Pension Fund Committee on June 12<sup>th</sup> 2019, having been signed off by the Corporate Finance Manager on June 6<sup>th</sup> 2019. These are attached as Appendix 1.</p> <p>The accounts are scheduled to be audited by Wales Audit Office in July/August.</p> <p>The audited Pension Fund accounts will be submitted to the Clwyd Pension Fund Committee for approval on 4<sup>th</sup> September 2019 as part of the Pension Fund Annual Report, as will the AGS. The accounts and AGS will be reported to the Audit Committee on 11<sup>th</sup> September 2019, along with the auditor's ISA 260 report.</p>
1.02	<p><b>Pension Fund Accounts</b></p> <p>The key messages from the accounts are:</p> <ul style="list-style-type: none"> <li>- Deficit contributions decreased by around £34m as a result of employers paying three year deficit contributions in 2017/18</li> <li>- Transaction costs increased by around £1.3m which reflects the cost of the transparency initiative.</li> <li>- Growth in net assets remained broadly similar in 2018/19 to the level of 2017/18</li> </ul> <p>The actuary reported an increase in gross pension liabilities from £2,629m on 31<sup>st</sup> March 2018 to £2,870m on 31<sup>st</sup> March 2019 when valued in accordance with accounting standards (IAS 26). This was due to a decrease in corporate bond yield, resulting in the use of a lower discount rate at the end of the year than had been the case at the beginning of the year. In addition, the expected long term rate of CPI inflation increased during the year.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None directly as a result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None directly as a result of this report.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Note 17 of the Pension Fund accounts discloses the risks to which the Fund is exposed from using different types of financial instrument and how those risks are managed. These form part of the Pension Fund risk register (along with strategic and operational risks) which is subject regular scrutiny by the Pension Fund Committee, internal and external audit.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – Draft Clwyd Pension Fund Accounts 2018/19

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	None  <b>Contact Officer:</b> Gary Ferguson, Corporate Finance Manager <b>Telephone:</b> 01352 702271 <b>E-mail:</b> gary.ferguson@flintshire.gov.uk

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p>(a) <b>CPF – Clwyd Pension Fund</b> – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region.</p> <p>(b) <b>Administering authority or scheme manager</b> – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) <b>PFC – Clwyd Pension Fund Committee</b> - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund.</p> <p>(d) <b>LGPS – Local Government Pension Scheme</b> – the national scheme, which Clwyd Pension Fund is part of.</p>