

REPORT TITLE: Pension Fund Draft Financial Statements & Audit Plan 2023/24

Meeting:	Pension Board
Date:	31 July 2024
Item Type:	For information
Purpose of Report:	This report provides the opportunity for the Pensions Board to consider the draft year-end financial statements of the Gloucestershire Pension Fund, that once the audit has been completed will be presented to the Audit Committee for approval as part of Gloucestershire County Council's Accounts. This report also sets out the External Audit Plan for the financial year ending 31 March 2024, which will be undertaken by KPMG in their capacity as external auditor of the Gloucestershire Pension Fund.
Recommendations or Actions Sought:	That the Committee note the Fund's draft financial statements for 2023/24, attached as Appendix 1, which have been prepared in accordance with accounting regulations and subject to external audit review and the External Audit Plan for the financial year ending 31 March 2024, as set out in Appendix 2 to the report
Background Documents:	N/A
Appendices:	Appendix 1 – Draft Statement of Accounts 2023/24 Appendix 2 – Audit Plan 2023-24
Contact Information (For information on the report)	Matthew Trebilcock Head of Pensions – 01452 328920

Introduction

This report provides the opportunity for the Pensions Board to consider the draft year-end financial statements of the Gloucestershire Pension Fund, that once the audit has been completed will be presented to the Audit Committee for approval as part of Gloucestershire County Council's Accounts.

The report also provides the opportunity for the Board to consider the External Audit Plan for the financial year ending 31 March 2024, which will be undertaken by KPMG in their capacity as external auditor of the Gloucestershire Pension Fund.

Financial Statements 2023/24

The financial statements are attached as appendix 1 to this report, with the following table showing the income and expenditure, as well as the change in the Fund's value over the year (with the prior year comparators).

As can be seen from the tables below, the Fund experienced a gain of 11.92% over the 12 months, following a recovery from the economic downturn and the impact of the Ukraine crisis on financial markets. The accounts show that the overall value of the Fund increased by £364.660m during the 2023/24 financial year, leading to a year-end value of £3,421.630m. The fund remains in a strong financial position.

Members will note that management expenses have increased by £1.7m (9.27%) to £30.221m from those reported in 2022/22. The increase on investment management expenses during the period of £1.7m is mainly due to an increase in amounts invested in private equity, infrastructure and private debt, asset classes which have a higher fee structure. Together with an increase in the market value on which some management fees are calculated and an increase in property fund expenses. The Fund has fully adopted the Cost Transparency Initiative (CTI) reporting template to account for all management expenses incurred on funds invested during the year which includes direct, indirect and implicit costs. This has a zero net effect overall, with an offsetting increase in reported profit in year. Further details of the management expenses incurred by the Fund can be found within disclosure note 20 of the accounts.

Investment income has increased by £11.838m (79.10%) to £26.803m from that received in 2022/23, This increase is largely from private market pooled investment vehicles, together with additional interest on cash balances following a pick-up of market interest rates available to the Fund. Further details of the investment income receivable in year can be found within disclosure note 13, within the accounts.

Gloucestershire Pension Fund

Fund Account for the year ended 31st March 2024

2022/23		2023/24	Note
£'000		£'000	
	Contributions		
-88,045	employer contributions	-113,954	N18
-22,895	member contributions	-24,950	N18
-110,940		-138,904	N7
	Transfers in from other pension funds		
-7,639	individual transfers from other schemes or funds	-6,502	
-	group transfers from other schemes or funds	-	
-7,639		-6,502	N28
	Other income		
-133	recoveries for services provided	-251	N20
	Benefits		
81,628	pensions	91,368	N30
14,195	commutation of pensions and lump sum retirement benefits	17,447	
2,991	lump sum death benefits	2,250	
98,814		111,065	N7
	Payments to and on account of leavers		
278	refunds to members leaving scheme or fund	432	
-1	payments for members joining state scheme or fund	-6	
9,941	individual transfers to other schemes or funds	10,799	
-	group transfers to other schemes or funds	-	N28
10,218		11,225	
-9,680	Net (additions) / withdrawals from dealings with members	-23,367	
27,656	Management Expenses	30,221	N20
17,976	Net (additions) / withdrawals including fund management expenses	6,854	
	Returns on investments		
-14,965	Investment income	-26,803	N13
-	Taxes on income	-	N3 & N13
50,862	Profit(-) and losses on disposal of investments and changes in market value of investments	-344,711	N4
35,897	Net returns on investments	-371,514	
53,873	NET INCREASE (-) / DECREASE IN THE NET ASSETS AVAILABLE FOR BENEFITS DURING THE YEAR	-364,660	
3,110,843	Opening net assets of the scheme	3,056,970	
3,056,970	Closing net assets of the scheme	3,421,630	

Gloucestershire Pension Fund

Net Assets Statement as at 31st March 2024

2022/23		2023/24	Note
£'000		£'000	
	Investment assets		
2,738,503	Pooled investment vehicles	3,118,600	N10
262,294	Pooled property investments	264,246	
11,873	Derivative contracts	3,351	N2 & N15
3,428	Other investments - Venture Capital/Private Equity	2,695	
29,982	Cash held on behalf of the investment managers	24,912	N25
926	Other investment balances	823	
3,047,006		3,414,627	N12
	Long term investment assets		
697	Brunel Pension Partnership Ltd.	722	
697		722	
	Investment liabilities		
-3,747	Derivative contracts	-4,507	N2 & N15
-	Other investment balances	-3,392	
-3,747		-7,899	N12
3,043,956	Total net investments	3,407,450	
	Long term assets		
184	Contributions due from employers	109	
184		109	N12 & N22
	Current assets		
5,180	Contributions due from employers	6,946	
1,561	Other current assets	423	
3	Payments in advance	5	
7,932	Cash balances	9,042	N2, N21, N25
14,676		16,416	N12 & N22
	Current liabilities		
-146	Unpaid benefits	-45	
-1,700	Other current liabilities	-2,271	
-	Receipts in advance	-29	
-1,846		-2,345	N12 & N23
3,056,970	Net assets of the scheme available to fund benefits at the reporting period end	3,421,630	N4, N5, N12 & N16

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end but rather summarise the transactions and net assets of the scheme.

Audit Plan

The External Audit Plan is set out in Appendix 2 to this report and includes the approach KPMG will apply to the audit, the audit cycle timeframe and associated fees.

KPMG will carry out the audit in accordance with the code of audit practice and International Standards on Auditing (ISAs) (UK).

Meetings with the audit team commenced in February 2024, and the exchange of management information has continued since this time. The year-end audit for the Pension Fund commenced in June. Formal audit findings and opinion report will be considered by both the Pension Committee and the Audit & Governance Committee in September 2024.

Materiality has been set at £34.2m (£45.1m in 2022-23) which equates to 1% of total assets at 31 March 2024. Threshold for any misstatements being formally reported is set at £1.7m.(£2.5m for 2022-23)

Officers have already actively engaged with KPMG, to ensure officers undertake the obligation to provide assistance and access to management and accounting information relating to the Pension Fund.

Audit Outcomes

The formal findings report is currently scheduled to be submitted to Pensions Committee in September 2024. The Pension Fund accounts are incorporated within the County Council's annual statements and are formally presented to the Audit & Governance Committee for formal approval and certification.

The audit opinion on the Funds Annual Report will also be sought ahead of the 1 December statutory publication requirement.