

Report to: Pension Committee
Date: 21 November 2024
By: Chief Financial Officer
Title of report: Draft Annual Report and Accounts 2023/24
Purpose of report: To present the draft 2023/24 Pension Fund Annual Report and Accounts report:

RECOMMENDATION

The Pension Committee is recommended to:

- 1) Approve the Pension Fund Accounts 2023/24
 - 2) Approve the publication of the draft Pension Fund Annual Report and Accounts 2023/24 prior to the deadline of 1 December 2024; and
 - 3) Note the East Sussex Pension Fund Audit Findings Report provided by Grant Thornton
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1. Background

1.1 The East Sussex Pension Fund (the Fund) is required under the Local Government Pension Scheme Regulations to produce a set of accounts for the scheme's financial activities including its assets and liabilities. The contents and format of the accounts are determined by statutory requirements and mandatory professional standards as established by the Chartered Institute of Public Finance & Accountancy (CIPFA) in their Code of Practice (The Code). The accounts are included in the East Sussex County Councils Financial Statements and are replicated in the Funds Annual Report.

1.2 The Pension Fund Accounts were subject to a separate audit by the Council's external auditors, Grant Thornton. Whilst the Audit Committee formally approves the Council's Statements of Accounts, which incorporates the Pension Fund Accounts, the Pensions Committee should approve the accounts as those charged with Governance.

1.3 Administering Authorities are required to publish the annual report by 1 December.

2. Supporting Information

2.1 It is the role of the Pension Committee to approve the Pension Fund annual report and accounts having considered whether appropriate accounting policies have been followed and in awareness of any issues raised by Grant Thornton (GT) the Fund's external auditors.

2.2 The Audit Findings Report produced by GT is attached at **Appendix 1**, this has been updated from the version included in the 25 September 2024 meeting pack. The auditors have substantively completed the audit of the Financial Statements and subject to completion of closing procedures they anticipate issuing an unqualified audit opinion. The concluding stages include subsequent events, consistency of the annual report to the financial statements, senior quality review, receipt of the management representation letter and a review of the final set of financial statements.

2.3 The auditor has identified a low number of issues with the financial statements and highlights the high quality of the initial draft statements. Two unadjusted misstatements have been identified that aggregate £13m relating to level 3 investments. These misstatements are significantly below materiality and are due to timing of valuations issued by the Funds illiquid investment managers compared to the date in which the draft accounts are produced. This is not an area to be concerned about and these differences are expected each year due to the level of illiquid assets in the investment strategy. The auditor has requested one additional disclosure to be included in the final version of the accounts which is not yet reflected in the attached annual report. This inclusion relates to a Court of Appeal decision which took place after the accounts were prepared relating to Virgin Media. This will be a narrative disclosure, as the financial implications of the Court of Appeal decision are as yet unknown for the LGPS.

2.4 In 2019 CIPFA published guidance “preparing the annual report” to assist funds in producing the annual report in line with the regulatory framework. The guidance was adopted by MHCLG as statutory guidance.

2.5 On 28 March 2023 the Scheme Advisory Board (SAB) Published updated guidance for preparing the fund annual report. The new guidance was reviewed and jointly approved by SAB, CIPFA and MHCLG and the 2019 guidance. The new guidance applies to 2023/24 annual reports which are due for publication by 1 December 2024, and later years. The guidance says funds should use their best endeavours to comply fully with the requirements for 2023/24 but exercise judgement where, because of changes to the previous content, to do so would require disproportionate effort or cost.

2.6 The Fund has made a number of changes in the layout of the Annual Report, but the content is largely the same as in previous years.

2.7 A copy of the Draft Pension Fund Annual report and accounts 2023/24 is included in **Appendix 2**.

3. Conclusion and reasons for recommendation

3.1 The Pension Fund Annual Report and Accounts set out the financial activities and asset values of the Fund during the 2023/24 financial year. The Pension Committee is recommended to approve the Pension Fund accounts, approve the publication of the Annual report and Accounts 2023/24 subject to minor updates to the report and note the draft audit findings report. This will enable the Fund to ensure it is compliant with the LGPS Regulations on its financial accounting requirements.

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