



**Glasgow City Council**

**Strathclyde Pension Fund Committee**

**Report by Director of Strathclyde Pension Fund**

**Contact: Stuart Tough Ext: 70385**

**Item 11**

**2nd March 2022**

## **Finance Update**

### **Purpose of Report:**

To present:

- a 2021/22 administration cost monitoring statement;
- a 2021/22 cash flow statement; and
- an update on plans for production and audit of the 2021/22 annual report and financial statements.

### **Recommendations:**

The committee is asked to NOTE the contents of this report.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes  No  consulted: Yes  No

## 1 Introduction

Financial transactions and data for the Strathclyde Pension Fund are held and processed on a number of different systems. These can be broken broadly into three areas as follows.

- **Funding:** long term cash flows and financing requirements are assessed in the three yearly actuarial valuation carried out by Hymans Robertson.
- **Investment:** detailed investment records are maintained by the Fund's external investment managers and global custodian and summarised in regular investment reports.
- **Administration:** pensions benefits are calculated and recorded on the *Altair* pensions system within Strathclyde Pension Fund Office (SPFO). Payments are made from and received into the SPFO bank account. The Council's SAP-based financial systems are used for reporting. This report presents a current overview of the administration costs and cash flow for SPFO.

## 2 Administration Cost Monitoring Statement

The summary statement below shows administration costs for 2021/22 to period 10 – ending 17<sup>th</sup> December 2021. The statement shows total net budgeted expenditure for the year to date of **£3.326 million** and a total underspend for the year to date of **£0.146 million**. This underspend is mainly due to the continuing impact of the COVID-19 pandemic which has led to a pause in recruitment and reduced the property, and supplies and services costs due to reduced occupancy of the office. Employee costs are underspent due to delays in the implementation of the new administration staffing structure as a result of the pandemic.

<b>2021/22 Annual Budget £000</b>	<b>SPFO Budget</b>	<b>2021/22 Actual YTD £000</b>	<b>2021/22 Budget YTD £000</b>	<b>2021/22 Variance YTD £000</b>
3,591	<b>Employee costs</b>	2,369	2,512	-143
530	<b>Property costs</b>	345	356	-11
961	<b>Supplies and services</b>	466	466	0
329	<b>Contracted services</b>	0	0	0
1,137	<b>Central Support</b>	95	95	0
<b>6,548</b>	<b>Total Expenditure</b>	<b>3,275</b>	<b>3,429</b>	<b>-154</b>
-177	Income	-95	-103	8
<b>6,371</b>	<b>Net Expenditure</b>	<b>3,180</b>	<b>3,326</b>	<b>-146</b>

In accordance with the Local Government Pension Scheme regulations, administration costs are charged against the Fund and do not represent a direct charge to Council Tax.

### 3 Cash Flow Statement

The cash flow statement shows receipts, payments and current cash balances. The summary statement below shows net outflows to date exceeding inflows by **£57.5 million**. There has been no requirement for any additional transfers from investments to date. This results in a balance of **£105 million** at the end of period 10. The current projection is that both income and expenditure will be slightly higher than originally estimated. Main cause of this is an increase in the volume of retirals compared to last year leading to increased lump sum payments being made and additional strain on the fund income being received. Transfers from investment balances can be made as necessary.

	<b>Total To period 10 £000</b>	<b>Estimate 2021/22 £000</b>	<b>Probable Outturn £000</b>
<b>Opening Balance</b>	<b>162,989</b>	<b>162,989</b>	<b>162,989</b>
<b><u>Cash Movements</u></b>			
<b>Expenditure</b>	-555,466	-733,395	-740,621
<b>Income</b>	497,947	650,740	663,930
<b>Net Addition/Reduction(-)</b>	<b>-57,519</b>	<b>-82,655</b>	<b>-76,691</b>
<b>Revised Closing Balance</b>	<b>105,470</b>	<b>80,334</b>	<b>86,298</b>

### 4 Annual Report and Financial Statements

Planning for production of the SPF annual report and accounts is underway. The intention is to maintain the established timetable – unaudited accounts to be considered by the committee in June prior to submission to Audit Scotland by 30<sup>th</sup> June.

Planning work on the audit has been subject to some delay, but Audit Scotland expect to formally issue their 2021/22 Annual Audit Plan during March. The plan will be circulated to Board and Committee, members for information. A note from Audit Scotland is included at Appendix A.

### 5 Policy and Resource Implications

#### **Resource Implications:**

<i>Financial:</i>	None
<i>Legal:</i>	None
<i>Personnel:</i>	None
<i>Procurement:</i>	None

**Council Strategic Plan:** Strathclyde Pension Fund aligns with the theme of a well governed city.

**Equality and Socio-Economic Impacts:**

*Does the proposal support the Council's Equality Outcomes 2017-22*

Equalities issues are addressed in the Fund's Responsible Investment strategy, in the scheme rules which are the responsibility of Scottish Government and in the Fund's Communications Policy which has been the subject of an Equalities Impact Assessment.

*What are the potential equality impacts as a result of this report?*

No specific equalities impacts.

*Please highlight if the policy/proposal will help address socio economic disadvantage.*

Not applicable

**Climate Impacts:**

*Does the proposal support any Climate Plan actions? Please specify:*

N/A.  
Monitoring report.  
Strathclyde Pension Fund's Climate Change strategy is being developed in line with Item 34 of the Council's Climate Action Plan.

*What are the potential climate impacts as a result of this proposal?*

N/A.

*Will the proposal contribute to Glasgow's net zero carbon target?*

N/A.

**Privacy and Data Protection impacts:**

None

**6 Recommendations**

The committee is asked to note the contents of the report.

# Strathclyde Pension Fund

## External audit progress report

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### 2021/22 annual audit

1. As a result of the revised statutory deadlines for audits across the public sector in 2020/21, the start of planning work on the Strathclyde Pension Fund audit has been delayed. Work is now underway, but not yet complete.
2. Despite this, based on our knowledge of the pension fund, the current operating environment and wider knowledge of the local government sector, we can give an indication of the likely output of our planning work in this progress report. We expect to formally issue our 2021/22 Annual Audit Plan in March 2022, which will confirm the audit risks, materiality assessment and the audit fee.
3. The provisional risks and areas of audit focus are shown below:

#### Significant risk of material misstatement

Risk of material misstatement due to fraud caused by the management override of controls (as outlined in International Standard on Auditing (UK) 240)

#### Other areas of audit focus

Risk of material misstatement from estimations applied in the valuation of level 3 investments

Risk of material misstatement from estimations applied to the actuarial valuation

4. Our assessment of materiality is likely to remain consistent with previous years, being based on 1% of net assets of the pension fund. As in prior years, a separate lower specific materiality level, based on 1% of payments to pensioners, will be applied to benefits expenditure and contributions received within the fund account.
5. Management were notified in December 2021 that the expected fee for the audit would be £60,030. This fee can be increased by up to 10% to reflect circumstances at an audit body that may impact on audit delivery. Based on planning work to date, we do not anticipate any increase to the expected fee.
6. Audit Scotland are reviewing current remote working arrangements and anticipate increased hybrid working during the 2022. We will discuss our approach to audit work with the Director of Strathclyde Pension Fund and the finance team to ensure we make the most of experience gained while remote working on the 2020/21 audit. Audit Scotland has set a provisional deadline of 31 October 2022 for the certification of the annual accounts.

### Audit appointments from 2022/23

7. Audit Scotland re-appoints the auditors of public sector bodies on a 5-year cycle. The current portfolio was extended by one year due to uncertainty arising from the pandemic, with the 2021/22 audit being the final year of appointment. The new appointment process is progressing and it is expected that bodies will be provisionally notified of their new auditors around mid-March, with final confirmation in April 2022.