



**Open Report on behalf of Andrew Crookham, Executive Director - Resources**

Report to:	<b>Lincolnshire Pension Board</b>
Date:	<b>18 March 2021</b>
Subject:	<b>Annual Report and Accounts 2020/21: Review of Accounting Policies</b>

**Summary:**

This report summarises:

- Changes to the Code of Practice on Local Authority Accounting which will be incorporated into the 2020/21 Statement of Accounts for Lincolnshire Pension Fund;
- The proposed amendments to the Accounts and Audit Regulations 2015, which are currently out for consultation, and impact this will have on the 2020/21 Statement of Accounts; and
- The review of the Council's Accounting Policies for the Pension Fund Statements.

**Recommendation(s):**

That the Board:

1. Note the changes required to the Statement of Accounts from the Code of Practice 2020/21;
2. Note the proposed changes to the Accounts and Audit Regulations 2015 which are currently out for consultation; and
3. Note the Statement of Accounting Policies (Appendix A) for use in preparing the Local Government Pension Scheme (LGPS) Pension Fund accounts for the financial year ending 31 March 2021.

**Background**

- 1.1 The Pension Fund is required to prepare its Statement of Accounts in accordance with the Code of Practice in Local Authority Accounting in United Kingdom 2020/21 (the Code). This ensures the accounts are prepared using

"proper accounting practice". We are also required to comply with the Accounts and Audit Regulations 2015 in preparing, submitting for audit and publishing the accounts.

### **Changes to the Code of Practice on Local Authority Accounting for 2020/21**

1.2 The Code of Practice for 2020/21 has introduced some revisions and clarifications to the accounting requirements for the 2020/21 Statement of Accounts. The most significant change for the Pension Fund Accounts come from aligning the Code guidance with the reporting requirements set out in the 2018 Pensions SORP (Statement of Recommended Practice). These changes include:

- Removal of the requirement to analyse assets between quoted/unquoted and UK/overseas. Note 12B Analysis of Investment will be removed from the 2020/21 accounts.
- Revised analysis for pooled investment holdings. This will be reflected through Note 12 Investments.
- More detailed disclosure requirements in respect of investment management fees. The fees disclosed in Note 10 Management Expenses, will be analysed by type of investment.

1.3 There will also be changes in accounting standards, which may impact on the 2021/22 accounts. The Chartered Institute of Public Finance and Accountancy (CIPFA) is due to publish a bulletin which will interpret any changes in accounting standards for the public sector. Once this is available, impacts will be assessed and disclosure made in the 2020/21 Accounts at Note 2 Accounting standards that have been issued but have not yet been adopted.

### **Accounts and Audit Regulations 2015**

1.4 The Accounts and Audit Regulations 2015 set out the requirements for local authorities, including Pension Funds, to prepare an annual statement of accounts, to publish such accounts and to have those accounts audited. The regulations also allow for the statement of accounts to be inspected by members of the public within certain time parameters.

1.5 During 2020 Sir Tony Redmond published a review of the effectiveness of external audit and transparency of financial reporting in local authorities. One of the recommendations from this review was that the deadline for publishing draft and audited local authority accounts should be revised. The proposal is an extension to the current deadlines:

- Draft accounts to be published on, or before 1 August (previously this was 31 May); and

- Audited accounts to be published by 30 September (previously this was 31 July).
- 1.6 The Ministry of Housing, Communities and Local Government is currently consulting on the proposed date changes above, initially for a two year period (covering the 2020/21 and 2021/22 Accounts). After this the amended deadlines will be reviewed to see whether the extension has improved audit completion rates. This consultation closed on 1 March 2021, outcomes from government are awaited.

### **Statement of Accounting Policies**

- 1.7 An important section of the published Accounts is the statement of accounting policies. This summarises the rules and codes of practice used to prepare the accounts, together with any estimation techniques adopted. The accounting policies for Pension Fund have been reviewed and are attached at **Appendix A**.
- 1.8 There have only been minor amendments to the accounting policies for 2020/21. These have been marked with ***bold italics*** in **Appendix A**. Changes include:
- Contribution income – employer deficit payments: clarification of wording linking the timing of payments to the rates and adjustments certificate issued by the Fund actuary to each employer.
  - Transfer to and from other schemes: clarification to the wording for individual and bulk transfers and the point at which the transfer will be accounted for.
  - Financial Assets: Clarification on the valuations to be used within the financial statements for alternatives, private equity, property venture and infrastructure assets. This policy was revised during the accounts preparation period last year to reflect the extended accounts and audit deadlines, which allowed more up to date information to be considered for inclusion in the financial statements. As the proposed changes to the Accounts and Audit Regulations include extended deadlines, the Fund considers a continuation of this policy to be appropriate.

### **Conclusion**

- 2.1 The amended accounting requirements, disclosures and timescales, as required by the Code of Practice and the Audit and Accounts Regulations, will be incorporated into the Statement of Accounts for 2020/21.
- 2.2 The Statement of Accounts will be prepared using the Accounting Policies attached at **Appendix A**.

## Consultation

### a) Risks and Impact Analysis

N/A

## Appendices

These are listed below and attached at the back of the report	
Appendix A	Statement of Accounting Policies for LGPS Pension Fund financial statements 2020/21

## Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21	Executive Director of Resources

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