

## **Report of the Director, West Yorkshire Pension Fund, to the meeting of Joint Advisory Group to be held on 27 January 2022.**

**K**

---

### **Subject:**

West Yorkshire Pension Fund (WYPF) Audited Report and Accounts 31 March 2021.

### **Summary statement:**

The Local Government Pension Scheme Regulations 2014, Regulation 57 specified that the deadline for publishing the WYPF audited account is 1<sup>st</sup> December each year. The WYPF accounts forms part of the City of Bradford Metropolitan District Council (CBMDC) accounts as such WYPF accounts are signed by auditors as a bundle with the Bradford accounts. The Bradford accounts were delayed, and signed by the auditors Mazars LLP on 22 December 2021. WYPF Report and Accounts were signed on the same day, 21 December 2021, and published on the WYPF website on 22 December 2021. This was 21 days late, however considering the current COVID-19 pandemic operating environment we are still ahead of a number of LGPS funds in publishing the 2020/21 report and accounts.

An earlier version of the WYPF Report and Account for 2020/21 was presented to the Group on 29 July 2021. The asset values presented on 29 July 2021 has not changed from £16,327.2m, a net increase of £3,112.9m compared to the value of £13,214.3m for 31 March 2020, an increase of 23.6%.

---

Rodney Barton  
Director WYPF

**Portfolio:**

Report Contact: Ola Ajala  
Financial Controller WYPF  
Phone: (01274) 434 534  
E-mail: [ola.ajala@wypf.org.uk](mailto:ola.ajala@wypf.org.uk)

**Overview & Scrutiny Area:**

## 1 SUMMARY

- 1.1 In order to comply with statutory accounting requirements for Local Government and Local Government Pension Schemes, WYPF must prepare an annual audited report and accounts. The 2020/21 report and accounts was presented to the Joint Advisory Group to note on 29 July 2021, before being presented to Bradford Council Governance and Audit Committee on 23 September 2021 for approval.
- 1.2 The Report and Accounts provide a summary of West Yorkshire Pension Fund's financial position at the end of the year, and key financial activities during the year ended 31 March 2021. The accounts have been prepared in accordance with:
- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
  - CIPFA Guidance on Accounting for Local Government Pension Scheme Management Costs
  - Latest Pensions Statement of Recommended Practice
  - International Financial Reporting Standards (IFRS), as amended for the UK public sector

### **External Auditor work 2020/21**

- 1.3 Due to delays in signing the Bradford 2020/21 accounts, the WYPF report and accounts were signed by Mazars LLP on 21 December 2021. The report and account and the Audit Completion Statement (ACR) were presented to the Bradford Governance and Audit Committee (GAC) on 23 September 2021. An ACR follow up letter was also circulated to the members of the GAC on 15 December 2021.
- 1.4 There are two confidential not for publication papers attached to this report - the ACR in Appendix 1 and the ACR follow up letter in Appendix 2.
- 1.5 The WYPF Audited Report and Accounts 31 March 2021 can be downloaded from WYPF website:

[https://www.wypf.org.uk/media/3239/2020\\_21-wypf-audited-report-and-accounts.pdf](https://www.wypf.org.uk/media/3239/2020_21-wypf-audited-report-and-accounts.pdf)

## 2 BACKGROUND

### **Initial value of assets**

- 2.1 The value of the Fund as at 31 March 2021 was £16,327.2m, a net increase of £3,112.9m (23.6%) from 31 March 2020. The table below gives assets values for the last ten years including 2020/21

<u>Year to 31 March</u>	<u>Net Asset</u>	<u>Increase (Decrease)</u>	<u>Increase (Decrease)</u>
	<u>£m</u>	<u>£m</u>	
2021	16,327.20	3,112.90	23.56%
2020	13,214.30	-1,148.74	-8.00%
2019	14,363.04	796.41	5.87%
2018	13,566.63	-65.7	-0.48%
2017	13,632.33	2,421.35	21.60%
2016	11,210.98	-108.22	-0.96%
2015	11,319.20	950.4	9.17%
2014	10,368.80	428.5	4.31%
2013	9,940.30	1,155.89	13.16%
2012	8,784.41	134.11	1.55%

### **Change in net assets during the year**

- 2.2** The increase in net assets of £3,112.9m between 31 March 2020 and 31 March 2021 is mainly due to the positive turnaround of financial markets after the immediate financial impact of the Covid-19 pandemic.

### **Return on investment**

- 2.3** The total return on investment in 2020/21 is £3,189.3m (2020/21 -£1,038.8m). This is made up of £2,833.7m (2020/21 - £1,497.1m) gains in market value and net investment income of £361.2m (2020/21 £464.3m) from dividends, interest, and stock lending commission, less taxes on income £7.9m (2020/21 £8.4m).

### **Net cashflow**

- 2.4** WYPF continues to have a positive net cashflow, in 2020/21 net cash was £297.1m (2019/ £369.3m).

### **Investment performance**

- 2.5** In 2020/21 we recovered the losses in 2020/21 and investment performance in 2020/21 is 23.4%. This is 2.1% above our benchmark. The long term track record is also positive, as shown in the table below, and over five and ten years WYPF's performance has outperformed the benchmark by more than 0.5% per annum. Investment returns against benchmark are as follows:

<u>31-Mar-21</u>	<u>Annualised Return</u>	<u>Fund Specific Benchmark</u>	<u>Over / (Under)</u>
	<u>%</u>	<u>%</u>	<u>%</u>
One Year	23.2	21.1	2.1
Three Years	6.8	6.2	0.6
Five Years	9.2	8.2	1.0
Ten Years	7.7	7.2	0.5

## Membership numbers

- 2.6 Our membership increased from 294,447 in 31 March 2020 to 298,307 in 31 March 2021, an increase of 1.3%.

## Number of employers

- 2.7 The number of employers as at 31 March 2021 was 423, at 31 March 2020 it was 451, a net reduction of 28, as a result of employers leaving due to contractual changes and academy mergers.

## Key performance indicators

- 2.8 The table below shows our 2020/21 performance in 20 key work areas, this performance reflects the commitment of officers and managers in delivering services to all our clients.

Work type	Total cases	Target days	Target cases met	KPI target	Actual KPI	Actual KPI
	2020/21	2020/21	2020/21	2020/21 %	2020/21 %	2020/21 %
1 Payment of pensioners (WYPF LG pensioners and beneficiaries)	1,899,096	Paid on due days	1,899,096	100	100.00	100
2 Change of address	3,844	10	3,682	85	95.79	94.7
3 Change to bank details	1,313	10	1,241	85	94.52	87.3
4 Death grant nomination	9,134	20	9,113	85	99.77	99.4
5 Death grant payments	2,980	5	2,773	85	93.05	96.9
6 Death in retirement	251	10	223	85	88.84	93.9
7 Deferred benefits	3,742	35	3,617	85	96.66	97.2
8 Deferred Benefits Into Payment Actual	3,209	5	2,832	90	88.25	80.8
9 Divorce quote	463	20	423	85	91.36	96.2
10 Life certificate received	148	10	119	85	80.41	96.7
11 Monthly posting	5,091	10	4,866	95	95.58	96.8
12 Payroll changes	1,990	10	1,965	85	98.74	87.3
13 Pension estimate	4,653	10	4,481	75	96.30	83.4
14 Refund payment	1,909	10	1,875	95	98.22	98.6
15 Refund quote	2,464	35	2,449	85	99.39	97
16 Retirement actual	3,157	3	2,927	90	92.71	92.9
17 Transfer out payment	217	35	195	85	89.86	92.2
18 Transfer-in payment	548	35	520	85	94.89	96.5
19 Transfer-in quote	801	35	798	85	99.63	99.7
20 Transfer-out quote	1,435	20	1,093	85	76.17	92.9

## Cost performance

### 2020/21 WYPF Cost per member

- 2.9 The 2020/21 annual cost of administering the West Yorkshire Pension Fund per member is £13.46, investment management £17.25, oversight and governance £2.93 giving a total management cost per member of £33.63. These figures placed WYPF 1<sup>st</sup> within the LGPS.

WYPF COST PER MEMBER	2019/20 OUTTURN	2020/21 OUTTURN	2021/22 BUDGET	2021/22 FORECAST	2022/23 BUDGET	2022/23 FORECAST
MEMBER NUMBER (UPDATED MAY20)	SF3	SF3	298,307	301,352	303,000	303,000
WYPF PENSION ADMIN	16.23	13.46	14.89	13.80	16.82	16.99
WYPF INVEST MANAGEMENT	22.83	17.25	24.27	20.21	28.29	28.34
WYPF OVERSIGHT	2.88	2.93	3.23	3.09	3.54	3.34
TOTAL COST PER MEMBER	41.94	33.63	42.39	37.10	48.66	48.68
INVESTMENT VALUE	13,180,582	16,267,534	16,267,534	17,500,000	17,500,000	17,500,000
COST OF INVEST MANAGEMENT	6,697	5,129	7,239	6,090	8,573	8,588
COST OF INVEST MANAGEMENT IN BASIS POINTS (bps)	5.08	3.15	4.45	3.48	4.90	4.91

### Investment cost of management in basis points (bps).

- 2.10** Using basis points (bps) WYPF investment cost is between 3 and 5 bps of current investment asset value of £17.5 billion. Based on the Investment Association survey for 2021/22 the average cost of investment management is 18bps, this is 300% more than WYPF. Similar to the LGPS table, this measure put WYPF in the top quartile in terms of investment management cost of the best performing investment management organisations.

Local Authority SF3 2019/20 (RANK 1 TO 10) + PARTNERS TOTAL NUMBER OF LGPS 85	2020/21								2019/20		
	Total members	Invest mngmt pr mbr	Rank	Pension Admin pr mbr	Rank	Gov & Ovsht pr mbr	Rank	Total mngmt cost pr mbr	Rank	Total mngmt cost pr mbr	Rank
<b>West Yorkshire Superannuation Fund</b>	<b>297,384</b>	<b>17.25</b>	<b>1</b>	<b>13.46</b>	<b>5</b>	<b>2.93</b>	<b>4</b>	<b>33.63</b>	<b>1</b>	<b>41.94</b>	<b>1</b>
<b>Nottinghamshire</b>	<b>145,647</b>	<b>30.00</b>	<b>2</b>	<b>18.48</b>	<b>13</b>	<b>12.39</b>	<b>40</b>	<b>60.87</b>	<b>2</b>	<b>60.93</b>	<b>2</b>
East Riding of Yorkshire UA	100,050	51.71	4	20.64	21	8.64	28	80.99	3	63.07	3
Tameside	390,652	78.78	8	18.90	17	3.95	7	101.63	4	90.43	4
Middlesbrough UA	73,620	67.33	6	26.32	41	7.99	25	101.64	5	103.85	5
Lewisham	25,399	62.64	5	27.21	44	20.04	61	109.89	6	134.88	6
Surrey	111,800	68.14	7	26.20	40	22.26	66	116.60	7	133.54	9
Bedfordshire	72,124	94.49	9	20.83	22	13.32	47	128.64	8	121.21	8
Somerset	67,907	105.78	11	18.70	14	10.03	35	134.51	9	121.25	9
Islington	20,981	46.85	3	68.73	80	19.64	60	135.22	10	151.04	12
Lincolnshire	76,856	128.30	12	12.82	3	9.82	33	150.94	11	156.66	13
Hounslow	69,878	168.31	29	38.16	62	5.07	10	211.54	29	238.91	41
Merseyside Pension Fund	140,023	249.90	44	21.61	29	12.66	42	284.17	44	339.88	60
Barnet	26,803	350.60	63	38.91	65	32.38	80	421.89	63	342.52	62
<b>England &amp; Wales AVERAGE</b>	<b>6,128,702</b>	<b>238.43</b>		<b>24.16</b>		<b>11.74</b>		<b>274.34</b>		<b>245.41</b>	<b>0</b>
								<b>+12% on 19/20</b>			

Based on government figures LGPS average cost was up by 12%, WYPF went down by 20% from 2019/20.

Local Authority SF3 2020/21	NORTHERN LGPS 2020/21								
	Total number of members	Insvt Exp per Mbr	Rank	Admin Exp per Mbr	Rank	O&G Exp per Mbr	Rank	Tot Exp per Mbr	Rank
West Yorkshire Superannuation Fund	297,384	£17.25	1	£13.46	5	£2.93	4	£33.63	1
Tameside	390,652	£30.00	8	£18.48	17	£12.39	7	£60.87	4
Merseyside Pension Fund	140,023	£249.90	44	£21.61	29	£12.66	42	£284.17	44
<b>NORTHERN LGPS POOL</b>	<b>828,059</b>	<b>£62.61</b>	<b>5</b>	<b>£17.21</b>	<b>9</b>	<b>£9.04</b>	<b>29</b>	<b>£88.85</b>	<b>4</b>

The impact of WYPF cost per member within the Northern LGPS is shown above, and the relative rank of the NLGPS Pool when compared to the government figures, would place NLGPS in 4<sup>th</sup> overall.

### 3 OTHER CONSIDERATIONS

None

### 4 FINANCIAL & RESOURCE APPRAISAL

The Council is required by law to produce an audited annual financial report for WYPF within the Council's financial statements. The audited accounts for the Council were signed on 21 December 2021. WYPF audited report and accounts was published on the 22 December 2021, 21 days after the deadline of 1 December 2021.

### 5 RISK MANAGEMENT AND GOVERNANCE ISSUES

The WYPF report and accounts is a statutory financial document. It is a key element of financial risk management and governance, and provides evidence of risk management and governance processes in operation during the financial year.

### 6 LEGAL APPRAISAL

We missed the deadline of 1 December 2021, by 21 days. Under the current Covid-19 pandemic pressures no sanction is expected from government.

### 7 OTHER IMPLICATIONS

#### 7.1 SUSTAINABILITY IMPLICATIONS

The services covered in this report are committed to mitigating climate by using energy efficient supplies and services, avoid waste and where not possible minimising waste, reuse materials and where facilities are available recycle office wastes.

#### 7.2 GREENHOUSE GAS EMISSIONS IMPACTS

WYPF operates from a modern "Aldermanbury House", the building was bought in 2014 and we have invested significant sums to improve the energy efficiency of the building, however there is still more to do. We are working with our property managers to further improve the building for staff, visitors and our commercial tenants. Electricity

supplied to the building is sourced from renewable suppliers and there is programme to review water boilers and other plants.

In terms of our operations a significant number of our staff have always been able to work from home before the Covid-19 pandemic and since the start of the pandemic all staff that want to work from home have been able to work from home. This has reduced our staff daily journeys into work and also reduced our operational greenhouse gas emission significantly. When on business travel our staff are encouraged to use public transport, unless low greenhouse gas emission alternatives are available.

### **7.3 COMMUNITY SAFETY IMPLICATIONS**

None.

### **7.4 HUMAN RIGHTS ACT**

None.

### **7.5 TRADE UNION**

The services covered by this report will provide additional employment and apprenticeship opportunities within the local area.

### **7.6 WARD IMPLICATIONS**

The services covered by this report will provide additional employment and apprenticeship opportunities within the local area.

### **7.7 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE**

The services covered by this report will provide additional employment and apprenticeship opportunities within the local area.

### **7.8 ISSUES ARISING FROM PRIVACY IMPACT ASSESSMENT**

None.

## **8 NOT FOR PUBLICATION DOCUMENTS**

The two papers in Appendix 1 and Appendix 2 are not for publication.

## **9 OPTIONS**

None

## **10 RECOMMENDATION**

That the:

A. Audited report and accounts for 2020/21 be noted.

B. WYPF total cost per member of £33.63 and investment management costs of 3.15 basis point be noted.

## **11 APPENDICES**

Appendix 1 – NFP Audit Completion Report (ACR) and ACR follow up letter.

Appendix 2 – NFP ACR follow up letter.