



City of Westminster

# Audit and Performance Committee

**Meeting or Decision Maker:**

Audit and Performance Committee

**Date:**

22 October 2024

**Classification:**

General Release

**Title:**

2023/24 Annual Pension Fund Accounts

**Wards Affected:**

ALL

**Policy Context:**

The Westminster Pension Fund audited accounts for 2023/24. The Westminster City Council Pension Fund accounts, while presented with the accounts of the city council, is a separate entity and has its own ledger and financial statements.

**Financial Summary:**

This report presents the Statement of Accounts for the Pension Fund for the financial year ended 31 March 2024

**Report of:**

Gerald Almeroth, Executive Director – Finance and Resources

## 1. Executive Summary

- 1.1 This is a report summarising the key aspects of the 2023/24 statement of accounts for the Westminster Pension Fund. The statement of accounts were prepared two weeks in advance of the statutory requirement of 31 May 2024. The public inspection period began on 3 June 2024 and ended on 12 July 2024. There were no objections raised during this period. The published accounts can be found at Appendix 1.
- 1.2 This statement of accounts complements the financial outturn position and reports the pension fund's financial position in line with International Financial Reporting Standards, adopted by CIPFA for the purposes of Local Government via the Code of Practice on Local Authority Accounting. CIPFA publishes a separate guidance for LGPS funds which include financial statements, associated notes and checklists.
- 1.3 The 2023/24 statement of accounts reports a net asset position of £2.014bn. The pension fund's liabilities are calculated every three years via the LGPS triennial valuation, the next of which will take place as at 31 March 2025.
- 1.4 The Pension Fund's Annual Statement of Accounts for 2023/24 was prepared and ready to be submitted to the Council's external auditors, Grant Thornton, for external audit on 16 May 2024. As part of the 2023/24 audit, testing was undertaken specifically around the Pension Fund's internal controls, testing on material account balances, as well as high risk items such as revenue and expenditure recognition, management override of controls and category Level 3 investments.
- 1.5 The Fund received the interim Audit Findings Report (AFR) for the Pension Fund on 9 October 2024, which reported that the accounts show a true and fair view of the financial transactions of the Pension Fund during the year. There were no significant findings reported, with audit adjustments outlined in Appendix D of the Pension Fund AFR, although no material adjustments were required. The Pension Fund's AFR is attached at Appendix 2.

### Virgin Media Ltd v NTL

- 1.6 Virgin Media Ltd v NTL ([2010] EWCA Civ 1394) involved a commercial dispute over services with significant implications for pension liabilities after a corporate merger. Specifically, the case examined whether NTL's pension obligations transferred to Virgin Media following the companies' merger and whether Virgin Media was liable for pension contributions under the prior agreements between NTL and its pension scheme.
- 1.7 The Court of Appeal addressed whether the pension rights accrued by NTL employees transferred automatically to Virgin Media after the merger under the TUPE regulations. The case explored whether early retirement or enhanced benefits, could be enforced post-merger.
- 1.8 The court found that Virgin Media was not automatically liable for NTL's pension obligations, as the pensions in question related to benefits excluded from

automatic transfer under TUPE. The decision clarified that, while employment rights generally transfer under TUPE, pension liabilities, especially related to ongoing funding obligations, do not unless explicitly agreed, underscoring the need for clear contractual terms regarding pension responsibilities when a merger occurs.

- 1.9 HM Treasury is assessing the implications for public service schemes, with practitioners believing applicability to the LGPS: disclosures are possibly required in employer and pension fund financial statements. Grant Thornton and officers will update further at the committee meeting.

## 2. Recommendations

- 2.1 The Audit and Performance Committee is recommended to approve the 2023/24 Pension Fund Statement of Accounts and note the Pension Fund's Audit Findings Report.

## 3. Background, including Policy Context

### Framework for Local Government Financial Reporting

- 3.1 Local government accounts are based on an accounting code produced by CIPFA LASAAC. The code is an adaptation of International Financial Reporting Standards for the purposes of UK local government bodies. Local government pension fund accounts include the following core statements:

- Net Assets Statement
- Fund Account

- 3.2 Notes to the Accounts provide further detail on individual line items in the core statements.

## 4. Westminster Pension Fund Accounts

- 4.1 This section of the report summarises the pension fund's Net Assets Statement and Fund Account.

### Net Assets Statement

- 4.2 A summary of the net asset statement is below:

<b>2022/23</b>	<b>Notes</b>	<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
<b>Investment assets</b>		
150	Share Capital	150
1,770,354	Pooled Investment Vehicles	1,966,455
<b>Other Investment Balances:</b>		
53	Income Due	157
19,465	Cash Deposits	40,708
<b>1,790,022</b>	<b>Total Investment Assets</b>	<b>2,007,470</b>

-	<b>Investment Liabilities</b>		-
<b>1,790,022</b>	<b>Net Value of Investment Assets</b>	10	<b>2,007,470</b>
5,211	Current Assets	18	7,779
(879)	Current Liabilities	19	(1,346)
<b>1,794,354</b>	<b>Net Assets of the Fund Available to Fund Benefits at the Period End</b>		<b>2,013,903</b>

- 4.3 62% of investment vehicles are within global equity shareholdings, 16% within fixed income funds, 13% within alternatives, 5% within property funds and the remaining 4% is invested in cash and equivalents For 2022/23: 65% within equity pooled funds, 16% within fixed income funds, 11% within alternatives, 4% within property pooled funds and remaining 4% within cash and equivalents.
- 4.4 The overall value of pooled investment vehicles increased by £196.1m (11%) during the year, largely due to positive performance within the global equities, private debt and fixed income asset classes. Cash deposits also increased by £21.2m due to increased investment income during the year and asset manager redemptions.
- 4.5 Current assets increased by £2.6m to £7.8m at 31 March 2024, largely due to a higher cash balance held within the current account at year end.
- 4.6 Current liabilities increased by £0.5m during the year, as a result of accrued fees in relation to staffing, audit, administration and custody costs due at year end.
- 4.7 A summary of the fund account is below:

### Fund Account

2022/23		Notes	2023/24
£'000			£'000
	<b>Dealings with members, employers and others directly involved in the fund</b>		
(31,645)	Contributions from Employers	Note 6	(35,269)
(13,060)	Contributions from Members	Note 6	(14,700)
(7,321)	Individual Transfers in from Other Pension Funds		(12,977)
<b>(52,026)</b>			<b>(62,946)</b>
	<b>Benefits</b>		
51,752	Pensions	Note 7	57,304
8,019	Commutation, Lump Sum Retirement and Death Benefits	Note 7	9,693
289	Payments in respect of tax		334

### Payments to and on Account of Leavers

9,505	Individual Transfers Out to Other Pension Funds	10,101
156	Refunds to Members Leaving Service	308
<b>69,721</b>		<b>77,740</b>

2022/23		Notes	2023/24
<b>£'000</b>			<b>£'000</b>
<b>17,695</b>	<b>Net (Additions)/Withdrawals from Dealings with Members</b>		<b>14,794</b>
13,064	Management Expenses	Note 8	22,626
<b>30,759</b>	<b>Net (additions)/withdrawals including management expenses</b>		<b>37,420</b>
<b>Returns on Investments</b>			
(19,074)	Investment Income	Note 9	(28,019)
(381)	Other Income	-	(72)
<b>(19,455)</b>			<b>(28,091)</b>
70,478	(Profit) and loss on disposal of investments and changes in the market value of investments	Note 11	(228,878)
51,023	Net return on investments		(256,969)
81,782	Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(219,549)
<b>(1,876,136)</b>	<b>Opening Net Assets of the Scheme</b>		<b>(1,794,354)</b>
<b>(1,794,354)</b>	<b>Closing Net Assets of the Scheme</b>		<b>(2,013,903)</b>

- 4.8 Employer contributions increased by £3.6m during 2023/24, largely due to the increase in the number of actives, employee pay increases and new contribution rates applied during the year.
- 4.9 Transfers in increased during the year, reflecting a higher number of new starters joining the scheme and members choosing to transfer in benefits on commencement of employment. Transfers out also increased slightly during 2023/24 due to members choosing to transfer their benefits to another employer or remove them under the freedom of choice legislation.
- 4.10 Pension payments increased by £5.6m during 2023/24, as a result of the CPI increase in pension payments, which are linked to CPI inflation.
- 4.11 During 2023/24, management expenses increased by 73% to £22.6m, due to increases in administration and governance fees, as well as an equalisation payment consisting of interest and management fees in relation to a £90m top-up of the Quinbrook Renewables fund.

4.12 Net investment returns in 2023/24 have increased from 2022/23, due to positive returns over the year, the illiquid asset classes starting to pay out distributions and higher interest rates paid on cash held.

4.13 During 2023/24, the net increase in Fund value was £219.6m, compared with a decrease in value of £81.8m during 2022/23, largely due to positive performance within the equity mandates during the year, which account for circa 62% of the total Fund value.

## **5. Objections**

5.1 At the time of writing the external auditor has not received any objections in relation to the 2023/24 statement of accounts.

## **6. Conclusion**

6.1 Grant Thornton is expecting to issue an unqualified/unmodified opinion for the pension fund accounts, subject to completion of any review points noted in the AFR.

**If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:**

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### **Appendices:**

**Appendix 1: Pension Fund Statement of Accounts 2023/24**

**Appendix 2: Pension Fund Audit Findings Report 2023/24**

**Appendix 3: Pension Fund Letter of Representation for year ended 31 March 2024**

**Appendix 4: Informing the Audit Risk Assessment PF 23/24**