



PENSIONS COMMITTEE

19 SEPTEMBER 2017

Subject Heading:

PENSION FUND ACCOUNTS 2016/17

CMT Lead:

Debbie Middleton

Report Author and contact details:

Debbie Ford
Pension Fund Accountant
01708432569
Debbie.ford@onesource.co.uk

Policy context:

Pension Fund accounts to be noted by the Pensions Committee prior to agreement by the Audit committee

Financial summary:

This report comments on the Pension Fund Accounts for the year ended 31 March 2017

The subject matter of this report deals with the following Council Objectives

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

SUMMARY

This report provides Members with an extract of the Council's Statement of Accounts for the year to 31st March 2017 showing the unaudited accounts of the Havering Pension Fund as at that date.

RECOMMENDATIONS

That the Committee consider and note the Havering Pension Fund unaudited Accounts as at 31st March 2017 and consider if there are any issues that need to be brought to the attention of the Audit Committee.

REPORT DETAIL

1 Background

- 1.1. The Council's Statement of Accounts for 2016/17 which are currently being audited will be presented to the Audit Committee for agreement on the 28th September 2017. As these accounts include the Pension Fund accounts any matters which, in the opinion of the Pensions Committee, would require any amendments to the accounts will need to be reported to the Audit Committee.
- 1.2 At the time of writing this report the Pension Fund Accounts are still subject to final clearance by our auditor's Ernst and Young LLP as part of the overall audit of the Council's accounts. Once our auditors have cleared the accounts any changes will be distributed as a late item. Latest version is shown as attached in **Appendix A**.
- 1.3 The Accounts are compiled in line with the Chartered Instituted Institute of Public Finance & Accountancy (CIPFA) *"LGPS Funds Accounts 2016/17 example accounts"*.
- 1.4 CIPFA's key content changes since the 2015/16 accounts:
 - Note 11 now includes an analysis of investment management expenses in line with CIPFA's *Accounting for Local Government Pension Scheme Management Expenses* (2016).
 - Notes 12, 14, 16 and 17, together with the net assets statement, have been amended to align with new investment classifications.
 - Note 16A – the classification of investment assets and liabilities into fair value hierarchies (levels 1 to 3) has been adjusted to follow the recommendations contained in *Practical Guidance on Investment Disclosures* (Pensions Research Accounts Group (PRAG)/Investment Association, 2016).

- 1.5 Key movements to note from the 2016/17 accounts are:
- The Net Assets of the Fund have increased to **£671m** for 2016/17 from £573m in 2015/16, a net increase of £98m.
 - The net increase of £98m is compiled of a change in the market value of assets of £95m, investment income of £6m and net additions of cash of £1m and offset by management expenses of (£4m).
 - Mandates held with Baillie Gifford (Global Alpha Fund) and Ruffer (Absolute Return Fund) were both transferred into the London CIV, increasing the assets classified in the accounts under Pooled Investments and decreasing the assets directly classified under Bonds.
- 1.6 A copy of the audited Pension Fund Accounts and the auditors' opinion will be included in the 2016/17 Pension Fund Annual Report. The statutory publication date for the 2016/17 Pension Fund Annual Report is 1 December 2017.
- 1.6 The 2016/17 Pension Fund Annual report is being presented on the Pensions Committee elsewhere on this agenda.
- 1.7 As part of the audit process of the accounts our auditors will issue a draft ISA260 report, which summarises their findings and sets out key recommendations that will be considered by the auditors when deliberating their opinion, conclusion and issue of audit certificate. Officers will also be given an opportunity to respond to any recommendations raised in the report. At the time of writing this report the draft ISA 260 has yet to be issued by Ernst & Young. A verbal update will be provided at the meeting or the ISA260 will be distributed as a late item.

IMPLICATIONS AND RISKS

Financial implications and risks:

The assets of the Pension Fund and its Managers' performance are regularly monitored in order to ensure that the investment objectives are being met and consequently minimise any cost to the General Fund.

Regulation 13 of the Accounts and Audit regulations 2015 require the publication of the Statement of Accounts after the conclusion of the audit but in any event no later than the 30th September 2017.

In 2017/18 the statutory deadlines are changing – Accounts need to be prepared for audit by the 31 May (currently 30 June) and the audit is to be completed by 31 July (currently 30 September).

In preparation for meeting the change in the above deadlines the Havering Pension Fund Accounts has had two years to trial meeting the earlier deadlines and the 31 May deadline was met for the last two years

Legal implications and risks:

On the basis that there are no specific issues raised by the external auditor, there are no legal implications arising directly from this report.

Human Resources implications and risks:

There are no immediate HR implications. However longer term, shortfalls may need to be addressed depending upon performance of the fund.

Equalities implications and risks:

None arising that directly impacts on residents or staff.

BACKGROUND PAPERS

Draft statement of Accounts 2016/17