



**Havering**  
LONDON BOROUGH

## PENSIONS COMMITTEE

**29 JULY 2020**

**Subject Heading:**

**PENSION FUND ACCOUNTS 2019/20**

**SLT Lead:**

**Jane West**

**Report Author and contact details:**

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**Policy context:**

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Pension Fund accounts to be noted by the Pensions Committee

**Financial summary:**

This report comments on the Pension Fund Accounts for the year ended 31 March 2020

### 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 31<sup>st</sup> March 2020 showing the unaudited accounts of the Havering Pension Fund ("the Fund") as at that date.

**RECOMMENDATIONS**

That the Committee consider and note the Havering Pension Fund unaudited Accounts as at 31<sup>st</sup> March 2020 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 Ministry of Housing, Communities and Local Government (MHCLG) has confirmed the details of the changes made to the Accounts and Audit Regulations 2015 in a letter to authorities on 3 April 2020. The Accounts and Audit (Coronavirus) Amendments Regulations 2020 (SI 2020/404) extend the statutory audit deadline for 2019/20 for all local authorities, apart from health service bodies.
- 1.2. The publication date for audited accounts will move from 31 July to 30 November 2020 for all local authority bodies.
- 1.3. Accounts must be confirmed and published by the **31 August 2020** at the latest.
- 1.4. The Authority's Statement of Accounts for 2019/20 are yet to be audited, they have been presented to the Audit Committee for information only on the 28th July 2020. 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 at a future date when the accounts are submitted for approval.
- 1.5. At the time of writing this report the Pension Fund Accounts are still subject to audit by our auditor's Ernst and Young LLP as part of the overall audit of the Authority's accounts. The latest version of the Pension Fund Accounts are shown as attached in **Appendix A**.
- 1.6. The Accounts are compiled in line with the Chartered Institute of Public Finance & Accountancy (CIPFA) "*LGPS Funds Accounts 2016/17 example accounts.*"

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1.7. There have been no key content changes required by CIPFA for the 2019/20 accounts that were not already covered in 2018/19 accounts.

1.8. Key movements to note from the 2019/20 accounts are:

- The Net Assets of the Fund has decreased to **£729m** for 2019/20 from £733m in 2018/19, a net decrease of £4m.
- The net decrease of **£4m** is compiled of a change in the market value of assets of (£20m), investment income of £10m, net additions of cash of £10m and offset by management expenses of (£4m). Further details are included within the Fund Account and Net Asset Statement included in this report. This slight decrease in Net Assets should be viewed in context of the dramatic downturn in global financial markets to which the financial year end coincided with its lowest point that took place in the immediate wake of the global pandemic declaration demonstrating the resilience and diversification of the Fund.
- Following the appointment of Real Asset and Private Debt managers, and once fully funded, the fund will eventually hold c20% in non-sterling denominated assets and Russell Investments was appointed in December 2019 to manage the resulting currency risk.
- Royal London was appointed to manage an allocation to a Multi Asset Credit (MAC) fund and this commenced from January 2020. The Royal London mandate was also restructured to separate the MAC and index linked bonds from the allocation to Corporate Bonds. The Corporate bonds will continue to be used to fund future capital calls from the Private Debt managers.
- Following the appointments of a Global Property Manager, Infrastructure and Private Debt Managers the Fund has continued to fund these mandates. Capital Calls were made and funded as follows:

<b>Investments made</b>	<b>Mandate</b>	<b>Amount</b> <b>£000's</b>	<b>Funded from</b>
CBRE	Global Property	13,028	GMO
Stafford	Infrastructure	9,128	GMO
Churchill	Private Debt	10,314	Royal London
Permira	Private Debt	5,094	Royal London

<b>Total</b>		<b>37,564</b>	
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- To retain exposure to emerging markets lost through disinvestments with GMO the Fund has also transferred cash to the value of £7.7m to Legal and General Investment Management (LGIM) passive Emerging Market Fund.
- 1.9. A copy of the audited Pension Fund Accounts and the auditors' opinion will be included in the 2019/20 Pension Fund Annual Report. The statutory publication date for the 2019/20 Pension Fund Annual Report is 1 December 2020.
- 1.10. 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 audit had not commenced and therefore the draft ISA 260 has yet to be issued by Ernst & Young.

## **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 10 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 31 July.

The Accounts and Audit (Coronavirus) Amendments Regulations 2020 (SI 2020/404) extended the statutory audit deadline for 2019/20 for all local authorities. The publication date for audited accounts will move from 31 July to 30 November 2020. Accounts must be confirmed and published by the 31 August 2020 at the latest.

The Pension Fund accounts were completed and available for submission by the 31 May 2020, in line with original deadlines set out in the 2015 Accounts and Audit Regulations, to ensure that best practice was maintained.

The planned cost of a separate audit opinion for the 2019/20 Pension Fund accounts is expected to be c£52,000 (£16,170 2018/19), which includes the cost of the Pension Fund Annual Report. At the time of writing this report the audit planning report has not been made available so the reasons for the increase is not known.

This cost will be met from the Pension Fund. Final costs but will not be known until the audit is finalised.

**Legal implications and risks:**

The extension of the deadlines for the Accounts is provided for in the Accounts and Audit (Coronavirus) Amendments Regulations 2020 (SI 2020/404). 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:**

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- i. the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- ii. the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- iii. foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment/identity.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants

An EqHIA is not considered necessary regarding this matter as the protected groups are not directly or indirectly affected

**BACKGROUND PAPERS**

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None