



PENSIONS COMMITTEE

1 OCTOBER 2020

Subject Heading:

**PENSION FUND ANNUAL REPORT-
YEAR ENDED 31 MARCH 2020**

SLT Lead:

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Policy context:

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Regulation 57 of the LGPS Pension Scheme Regulations 2013 applies from reporting period commencing 1 April 2014 and requires an administrative authority to publish an annual report

Financial summary:

Audit costs for the pension fund annual report are part of the overall cost of auditing the pension fund statement of accounts

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 includes the Pension Fund Annual Report 2019/20 which has been prepared in accordance with Regulation 57 of the Local Government Pension Scheme Regulations 2013 which applies for reporting periods beginning 1 April 2014. This supersedes Regulation 34 of the Local Government Pension Scheme (Administration) Regulations 2008.

RECOMMENDATIONS

1. The committee agree the Draft 2019/2020 Pension Fund Annual Report as attached as **Appendix A**.
2. The committee agree the Pension Fund Annual Report will be published electronically once finalised.
3. That the Chair and the Statutory Section 151 officer be authorised to conclude the final version and sign so far as necessary, the annual report.

REPORT DETAIL

1 Background

1. For reporting periods beginning 1 April 2014, the statutory basis for Local Government Pension Scheme (LGPS) fund annual reports is Regulation 57 of The Local Government Pension Scheme Regulations 2013. It states that an administering authority must, in relation to each year beginning on 1st April 2014 and each subsequent year prepare a document ('the pension fund annual report'). This supersedes the regulations first introduced in 2008. LGPS funds have been required to produce an annual report each year since 2008.
2. The authority must publish the pension fund annual report on or before 1 December following the year end. This annual report covers the period 1 April 2019 to 31 March 2020.
3. The Regulations state that the annual report must contain the following:
 - a) Management and Financial Report
 - b) Investment Policy and Performance Report
 - c) Scheme Administration Report
 - d) Actuarial Statement
 - e) Current version of the Governance Compliance Statement
 - f) Fund Account and Net Asset Statement (including Audit opinion)
 - g) Levels of performance set out in a Pensions Administration Strategy
 - h) Current version of Funding Strategy Statement
 - i) Current version of Statement of Investment Principles (now replaced by the Investment Strategy Statement)
 - j) Current version of Communication Strategy
 - k) Any Other Material

4. In preparing and publishing the pension fund annual report, the authority must have regard to guidance given by the Secretary of State.
5. Authorities should use guidance as published by the Chartered Institute of Public Finance & Accountancy (CIPFA).
6. In order to meet current regulatory requirements an updated CIPFA guidance was published in March 2019 (replaces the March 2014 version).
7. The Annual report attached as **Appendix A** has been prepared in accordance with the guidance issued by CIPFA.
8. The new edition “preparing the annual report” made available in March 2019 includes additional new data requirements and in some instances it has not been practical to compile data in the relevant formats suggested in the guidance. In the areas where it is mandatory to provide the new data and this is not available explanations are provided.
9. The National Audit Office requires auditors to treat the LGPS fund as a separate audit engagement and requires a separate audit opinion on the pension fund accounts and the annual report. The auditors opinion will be included in the annual report which must be published no later than **1 December 19**.
10. The term ‘publish’ is given a wider meaning in that publication can be by electronic means. Once the annual report has been signed off it will be made available on the council’s website. However hard copies will be available upon request.
11. At the time of writing this report the 2019/20 pension fund annual report is still subject to final clearance by our auditor’s Ernst & Young as part of the overall audit of the Council’s accounts. A verbal update will be provided at the meeting on the outcome or progress of the audit if required. Any material changes to be delegated to the Chair and the Statutory Section 151 officer to conclude the final version.

IMPLICATIONS AND RISKS

Financial implications and risks:

Auditors will be unable to finalise the audit opinion for the Administering Authority Accounts until they are satisfied that the financial statements in the annual report are the same as those reported in the authority’s accounts. The Pension Fund Annual report has been produced in a timely manner in order for the audit of the

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authority's accounts to be concluded and to meet the regulatory publication deadline.

The Audit Fees are included within the Havering Pension Audit Planning Report for the year ending 31 March which was presented to the Audit committee on the **28 July 2020**.

The planned cost of a separate audit opinion for the 2019/20 Pension Fund accounts is expected to be c£55,000 (£16,170 2018/19), which includes the cost of the Pension Fund Annual Report. This results in an increase in the fee of £38,830. Our auditors have discussed the estimate and position on audit fees with the Statutory Section 151 officer. The Council have not currently agreed to the variation to the scale fee but understand that our auditors will be submitting their fee estimate to Public Sector Audit Appointments (PSAA) for them to determine. At the time of writing this report the Council are continuing to seek Legal and Procurement advice with regard to options on how to proceed.

Our Auditors rationale for the increase is based on the belief that the lower fees of £16,170 do not provide a clear link with both a public sector organisation's risk and complexity. For an organization such as Havering, the extent of audit procedures now required mean it will take over 600 hours to complete a quality audit, bringing the audit fee to £55,000

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

If members agree to publish the report electronically then other than officer time there will be no publication costs.

Legal implications and risks:

As stated in the main report Regulation 57 of the Local Government Pension Scheme Regulations 2013/2356 requires the administering authority to produce an annual report covering a number of different aspects set out at paragraph 3 above. Provided the statement is published by 1 December there are minimal legal risks involved.

Human Resources implications and risks:

None arise from this report.

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;

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

BACKGROUND PAPERS

None