



PENSIONS COMMITTEE

20 JULY 2021

Subject Heading:

PENSION FUND ACCOUNTS 2020/21

SLT Lead:

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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 2021

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 2021 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 Accounts (unaudited) as at 31st March 2021 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. A review of the effectiveness of external audit and transparency of financial reporting in local Authorities by Sir Tony Redmond included a recommendation that the deadline for publishing audited accounts is extended to 30 September from the 31 July each year with draft accounts published on or before the 1 August. The proposal is for the amended deadlines to cover two years – 2020/21 and 2021/22 and then reviewed once it is clearer whether audit completion dates has improved.
- 1.2. Following this review the Ministry of Housing, Communities and Local Government (MHCLG) issued a '*Consultation on amendments to the Accounts and Audit Regulations 2015*'. This resulted in a change to regulations and the Local Authority Audit (Amendment) Regulations 2021 came into force on 31 March 2021.
- 1.3. Draft accounts must be published on or before the **1 August 2021**.
- 1.4. The latest version of the Pension Fund Accounts are shown as attached in **Appendix A**.
- 1.5. The Accounts are compiled in line with the Chartered Institute of Public Finance & Accountancy (CIPFA) "*LGPS Funds Accounts 2020/21 example accounts*."
- 1.6. There were some code changes in 2020/21 of which the most significant for the Pension Fund are as follows:
 - Note 11a - more detailed disclosure requirements in respect of investment management fees. Fees now analysed over each asset class.
 - Note 14 - the removal of the requirement to analyse assets between quoted/unquoted and UK/overseas. This analysis has now been removed.

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- Note 14 - the revised analysis requirement for pooled investment holdings. This was previously shown on one line but now analysed over each asset class.

The changes required for the 2020/21 accounts meant prior year adjustments were necessary, these are shown as being restated in 2019/20 columns where applicable.

1.7. Key movements to note from the 2020/21 accounts are:

- The Net Assets of the Fund has increased to **£874m** for 2020/21 from £729m in 2019/20, a net increase of **£145m**.
- The net increase of **£145m** is compiled of a change in the market value of assets of £165m, investment income of £15m, net withdrawals of cash of (£31m) and offset by management expenses of (£4m). Further details are included within the Fund Account and Net Asset Statement included in this report.
- The net withdrawal figure of (£31m) includes a financial settlement figure for the bulk transfer out of the colleges to the London Pension Fund Authority.

1.8. 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 Council's accounts. Indicative Audit Plan for the Pension Fund is attached as **Appendix B**

1.9. The Authority's Statement of Accounts for 2020/21 will be presented to the Audit Committee on the **22 July 2021** for agreement. 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.

1.10. A copy of the audited Pension Fund Accounts and the auditors' opinion will be included in the 2020/21 Pension Fund Annual Report. The statutory publication date for the 2020/21 Pension Fund Annual Report is 1 December 2021.

1.11. 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 will not have been 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.

The Accounts and Audit (Amendment) Regulations 2021 (SI 2021/263) extended the statutory deadlines. The publication date for audited accounts will move from 31 July to 30 September 2021. Draft accounts must be published by the 1 August 2021.

The Pension Fund accounts were completed by the 31 May 2021, in line with original deadlines set out in the 2015 Accounts and Audit Regulations, to ensure that best practice was maintained.

As referred to in the attached indicative audit plan (Appendix B) the audit will commence in September and the final report produced in December 2021.

The planned cost of a separate audit opinion for the 2020/21 Pension Fund accounts, as per the indicative audit plan 2020/21 is set below:

	Planned Fee 2020/21	Planned Fee 2019/20	Actual Fee 2019/20
	£'s	£'s	£'s
Scale Fee – Code work	18,325	16,170	16,170
IAS19 Assurance Approach	5,000	5,000	TBC
Triennial Review Procedures	0	3,000-4,000	TBC
Going Concern and PBSE disclosure consultation	TBC	4,000-8,000	TBC
Total Fees	TBC	28,170 – 33,170	16,170

The 2019/20 accounts were finalised on the 28 May 2021 and at the time of writing this report our auditors have yet to invoice the final fee charges for 2019/20.

Whilst not reflected in the above table our auditors are proposing an increase in the scale fee from £18,325 to £55,000. They will submit the scale fees to Public Sector Audit Appointments (PSAA) for them to determine. Fees include the cost of the Pension Fund Annual Report.

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

In December 2020 - To support implementation of the Redmond review recommendations, MHCLG is providing principal local government bodies with £15 million in additional funding in 2021/22. This is intended to support affected local

bodies to meet the anticipated rise in fees for 2020/21 audits, driven by new requirements on auditors, including the National Audit Office's Code of Audit Practice 2020, and to enable local authorities to develop standardised statements of service information and costs.

The consultation seeking views on how to most fairly allocate the £15 million provided to impacted principal bodies closed on the 18 May 2021.

Legal implications and risks:

Local Authority Audit (Amendment) Regulations 2021 (SI 2021/263) came into force on 31 March 2021. These amendments to the regulations only apply for accounts 2020/21 and 2021/22.

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.

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

BACKGROUND PAPERS

None