

PENSIONS COMMITTEE

Subject Heading:	Pensions Administration Budget 2023/24
SLT Lead:	Dave McNamara Statutory Section 151 and Chief Finance Officer
Report Author and contact details:	Caroline Guyon Pensions Projects and Contracts Manager 01708 432185 Caroline.guyon@havering.gov.uk
Policy context:	Local Government Pension Scheme Regulations 2013
Financial summary:	The proposed budget for 2023/24 is £0.562m to be met by the Pension Fund. This is an increase of £43,000 on the original budget set for 2022/23.

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

The administration of the Havering Local Government Pension Scheme (LGPS) is provided via a shared service agreement with Lancashire County Council (LCC) who delegate the function to the Local Pensions Partnership Administration (LPPA).

This report details the LPPA's proposed budget for 2023/24 of £0.533m, an overall increase of 2.66% from 2022/23, for agreement by Committee.

RECOMMENDATIONS

The Committee are asked to:

- Approve the 2023/24 budget of £0.533m for the provision of the LPPA pension administration service.

REPORT DETAIL

1 Background

- 1.1 In November 2017 the London Borough of Havering entered into a delegated agreement (Local Government Act 1972) with LCC, for its pension administration service. LCC's pension administration service is provided by LPPA.
- 1.2 In line with the Service Agreement LPPA, on behalf of LCC, will propose an annual budget for the following financial year, which will be presented by officers for agreement by the Pension Committee. If no agreement is provided then the budget will be increased in line with the annual Consumer Price Index (CPI) for the month of September in the preceding year. The CPI index rose by 10.1% in the 12 months to September 2022 which is higher than the proposed overall budget increase of 2.66%.

2 Budget Proposal

- 2.1 LPPA, have proposed a budget of £0.533m for the 2023/24 financial year. This is based on membership data as at August 2022 of 20,072 Fund members and equates to £26.56 per member.

- 2.2 In 2022/23 the budget was £0.519m which means an overall cost increase of 2.66%, or 0.5% increase per member.

Table 1: Summary of Budget Change

	Number of Members	Budget	Cost per Member
2022-23 Budget	19,646	£519,244	£26.43
2023-24 Budget	20,072	£533,076	£26.56
Difference/Increase Amount	426	£13,832	£0.13
Difference/Increase %	2.17%	2.66%	0.5%

- 2.3 When setting the budget, LPPA's key considerations were:
- An increase to cover forthcoming regulatory changes, ie remedy following the McCloud Judgement and Pensions Dashboards
 - Staffing Cost Increase
 - Additional headcount recruited to provide operational resilience and service improvement post go live to the new pension administration system
 - Average 7% pay award for staff
 - An increase in recruitment and training costs following significant staff turnover
 - The increased costs have been part offset by LPPA's Efficiency and Service Improvement Plan which aims to deliver a reduction in headcount and efficiency gains from the new pension administration system.
- 2.4 The proposed budget settlement of £0.533m, is LPPA's estimate for the financial year. Officers are provided with quarterly forecasted finance performance data, looking at outturn projections and future budget proposals.
- 2.5 Effective from financial year 2024/25 LPPA expect to deliver savings in respect of the reduction in resilience roles and an increase in productivity and efficiencies from the new pensions administration system. This will be also be monitored as part of quarterly finance performance data.
- 2.6 LPPA use CEM Benchmarking which compares 13 similar schemes (8 of which are LGPS). The peer group average cost per member is £28.36 which is above the cost per member following this proposed budget increase.

3. 2022-23 Outturn Position

- 3.1 At the end of each financial year LPPA will confirm any variance against the budget and the Fund will receive either an invoice or remittance for the balance.
- 3.2 At the end of Q3 LPPA have advised of a forecasted overspend of approximately £14,000 against the 2021/22 budget. However there will be no true-up for 2022/23 and any overspend will be spread over the 3 years following 2023/24.
- 3.3 This is largely due to an increase in headcount to support the migration to the new pension administration system. LPPA are committed to identifying opportunities to negate some of the over spend by the end of the financial year.

IMPLICATIONS AND RISKS

Financial implications and risks:

The cost of pension administration is recharged annually to the Fund, the contract costs from LCC are factored into the budget and any increase in contract costs, once agreed, will result in the budget being increased and the additional cost met within the Fund.

Legal implications and risks:

The Council has delegated its pension administration functions to LPPA by an agreement which provides for termination on either party giving 12 month's notice but is otherwise indefinite.

The provisions relating to price are as follows:

For the duration of this arrangement, in September of each year Lancashire will send to Havering a proposed budget for the next financial year including detail of any increases or efficiency savings from previous years. Havering will either agree or offer an amended budget proposal. In the absence of agreement by both Parties the budget will remain as per the previous year plus an inflationary uplift per CPI as at the September prior to the commencement of the budgetary year.

Once the proposed budget is agreed in principle, Havering will refer the proposed budget to its Pension committee or other appropriate body for approval. If approved the annual budget will be ring-fenced for Lancashire and transferred to Lancashire in twelve (12) equal monthly instalments. The actual budget spend will be monitored and reimbursed through a quarterly review process. At the end of each financial year any budgetary over or underspends will be adjusted accordingly.

As result LPPA can propose a budgetary uplift of any value. As they are set up for full cost recovery the difference in the budget and the actual spend will always be adjusted with the authority.

It is open to the Council to not agree the budget proposal in which case it will be increased by CPI.

Human Resources implications and risks:

There appear to be no HR implications or risks arising directly as a result of 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;
- (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.

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. We will ensure that disabled people with sensory impairments are able to access the strategy.