



Havering
LONDON BOROUGH

PENSIONS COMMITTEE

07 NOVEMBER 2023

Subject Heading:

**PENSION FUND ANNUAL REPORT-
YEAR ENDED 31 MARCH 2023**

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 Fund's annual report are part of the overall cost of auditing the Fund's 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 2022/23 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.

RECOMMENDATIONS

1. The committee agree the Draft 2022/23 Pension Fund Annual Report attached as **Appendix A**.
2. Note the compliance checklist attached as **Appendix B**
3. The committee agree the Pension Fund Annual Report will be published electronically.
4. 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 ("Fund") annual reports is covered under Regulation 57 of The Local Government Pension Scheme Regulations 2013.
2. It states that an administrating authority must, in relation to each year beginning on 1st April 2014 and each subsequent year prepare a document ('the pension fund annual report').
3. The authority must publish the Fund's annual report on or before 1 December following the year end. This annual report covers the period 1 April 2022 to 31 March 2023.
4. 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

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- 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 which the authority considers appropriate
5. In preparing and publishing the Fund's annual report, the authority must have regard to guidance given by the Secretary of State.
 6. Authorities should use guidance as published by the Chartered Institute of Public Finance & Accountancy (CIPFA).
 7. In order to meet current regulatory requirements an updated CIPFA guidance was published in March 2019.
 8. The Annual report attached as **Appendix A** has been prepared in accordance with the guidance issued by CIPFA.
 9. To provide the Committee with assurance that the annual report has been produced in line with CIPFA guidance the Fund has completed the CIPFA checklist, attached as **Appendix B**, which sets out a summary of the **must**, **should** and **may** disclosures that appear in the annual report.
 - **MUST** – compliance is mandatory. Any non- compliance should be clearly identified and explanation provided
 - **SHOULD** - compliance is anticipated but is discretionary.
 - **MAY** – compliance is recommended and is discretionary
 10. 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 (**MUST**) to provide the new data and this is not available, explanations are provided and shown in Appendix B.
 11. 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 auditor's opinion will be included in the annual report which must be published no later than **1 December 2023**.
 12. At the time of writing this report the 2022/23 Pension Fund Annual Report is still subject to audit by our auditor's Ernst & Young as part of the overall audit of the Council's accounts. Therefore, in order to meet the 1 December statutory publication, the annual report will be published as unaudited. A verbal update will be provided at the meeting on progress of the audit if available.
 13. 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.

14. Any material changes to the draft version of the annual report be delegated to the Chair and the Statutory Section 151 officer to conclude the final version.

IMPLICATIONS AND RISKS

Financial implications and risks:

Auditors are unable to finalise the audit opinion for the Administering Authority Accounts until they are satisfied that the financial statements in the Fund's Annual report are the same as those reported in the Council's statement of accounts.

At the time of writing this report, the Fund has not received an Audit Plan so no confirmation of costs or a date of when the 2022/23 audit will commence.

Fees consist of charges for core fees (as agreed by the Public Sector Audit Appointment (PSAA)) plus any additional charges/fee variations. Due to the continued delays to the audit, it is not possible to provide full audit costs as these are not known until the level of work has been determined.

As an indication of costs, prior audit fee charges for the Pension Fund and the known core fees can be seen below:

Table 1 - Fees

	2019/20 Actual £	2020/21 Estimated £	2021/22 Estimated £	2022/23 Estimated £
Total Fees	40,512	55,000	16,170	24,795

The 2020/21 Pension Fund Annual Report and Accounts have yet to be finalised by our external auditors. The delays are not attributable to the Pension Fund but relate to outstanding issues awaiting resolution on the Authority's Statement of Accounts. The 2020/21 Annual Report and Accounts was published as unaudited to meet the statutory publication deadline of the 1 December 2021.

The 2021/22 Annual Report and Accounts was published as unaudited to meet the statutory publication deadline of the 1 December 2022. The 2021/22 accounts commenced in September 2023 and currently ongoing.

The 2022/23 Annual Report and Accounts audit has not yet commenced and will be published as unaudited to meet the statutory publication deadline of the 1 December 2023.

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Audit costs will be met from the Pension Fund and final costs will not be known until audits are finalised.

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

Legal implications and risks:

The primary legislation is set out in the Report above.

Committee Members have a legal responsibility for the prudent and effective stewardship of LGPS funds, and in more general terms, have a fiduciary duty in the performance of their functions. Investments or pension's committee members are often referred to as quasi-trustees. LGPS quasi-trustees are responsible for the:

- oversight of the management and resourcing of all fund activities
- ensuring the best possible outcome for the fund, employers and members
- ensuring the fund is managed in accordance with legal and regulatory requirements
- taking decisions in accordance with the standing orders of the investments or pensions committee
- acting prudently and impartially on behalf of all the beneficiaries ensuring all decisions are for the benefit of the fund contributors and beneficiaries.

Administering authorities should as a body charged with the administration of the fund conduct that administration in a fairly business-like manner with reasonable care, skill, and caution and with a due and alert regard to the interest of those contributors to the fund.

The Local Government Pension Scheme (Management and Investment of Funds) regulations 2016 provides various powers and duties to the Administering Authority to manage the pension fund, choice of Investment managers and the investment and use of fund money including investment policy and principles.

The Local Government Pension Scheme Regulations 2013 set out various duties and powers of the Administering Authority to make strategies statements and reports. This report is in keeping with such duties and powers.

As the Report sets out there are certain areas where the Report does not comply with CIPFA's mandatory requirements, however, the statutory requirement is to have regard to the Guidance and it can be departed from if there is good reason to do so. The officers have indicated the reasons for departure from the Guidance and it appears therefore reasonable for the Committee to approve the Report despite those issues.

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;
- 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