



PENSIONS COMMITTEE

Subject Heading:

Pensions Administration Budget 2024/25

ELT Lead:

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Policy context:

Local Government Pension Scheme
Regulations 2013.

The proposed budget for 2024/25 is
£0.648m to be met by the Pension Fund.
This is an increase of £86,000 on the
original budget set for 2023/24

Financial summary:

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 2024/25 financial year of £0.648m, an overall increase of 15.38% from 2023/24, for agreement by Committee.

RECOMMENDATIONS

The Committee are asked to:

- Approve the 2024/25 budget of £0.648m for the provision of the LPPA pension administration service.

REPORT DETAIL

1. Background

- 1.1 From 1 November 2017, the London Borough of Havering delegated the pension administration service to Lancashire County Council who have engaged the Local Pensions Partnership Administration (LPPA) to undertake their pension portfolio. The Local Pensions Partnership was formed in 2016 through a collaboration between Lancashire County Council and the London Pensions Fund Authority and provides pension services to the Local Government Pension Scheme, Police and Firefighter Schemes
- 1.2 LPPA is a non-profit making entity and our contract with LCC is set on a full cost recovery basis, i.e. any surplus against the annual budget is refunded and any deficit is charged to the fund at the end of the financial year. LPPA on behalf of LCC, will propose the annual budget and it will be presented to officers, who will review before presenting to committee for approval.
- 1.3 Within the service agreement, the fund has the option to not agree the proposed budget, in such case the budget will be set at the current budget plus an increase based on Consumer Price Index (CPI) as at January. As set out in the terms of the arrangement, LCC operate a full cost recovery, so if LCC's actual costs are in line with their forecast and LBH agree to a lower budget based on CPI, LBH will be invoiced at the end of the financial year for the difference between the actual costs and the budget that was actually agreed.

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- 1.4 Officers carried out a special budget challenge session with LPPA in February 2024, and required further details around membership numbers and cost/service demand assumptions following LPPA's submission of the latest proposed budget.
- 1.5 Due to timing of the session and subsequent information requested, officers were unable able to present a final budget position at March 2024 committee.
- 1.6 For the 2023-24 budget settlement LPPA presented a cost smoothing exercise to reduce the budget payable for the year from £0.562m to £0.533m which meant the balance of £0.029m to be recovered over 3 years commencing from April 2024, if LPPA were unable to underspend against the budget proposal.

2. Budget Proposal for 2024-25

- 2.1 LPPA on behalf of LCC has proposed a budget for 2024-25 of £0.648m this is an increase of 15.38% on 2023-24, the increase is split in two parts;
 - a. Increase in membership numbers
 - b. Increase in price per member
- 2.2 Table 1 below provides a summary of the split;

	Number of Members	Rate per Member	Total Cost
2023-24 LPPA Administration Budget	20,072	£27.98	*£561,615
2024-25 LPPA Administration Budget	21,149	£30.64	£648,005
Difference (Amount)	1,077	£2.66	£86,391
Difference (Percentage)	5.37%	9.51%	15.38%

**Actual Budget 2023-24, this figure is higher than the budget paid of £0.533m as LPPA agreed to reduce the budget and spread the increase from 2022-23 over 3 years from April 24.*

- 2.3 Membership numbers are taken in August of each year and used as the basis for the forthcoming budget proposal. The increase has been expected due to the continued growth in membership across the Havering pension fund, as reported in the LPPA's quarterly performance reports.

2.4 The increase in price per member has been driven by a variety of factors' but is grouped under;

- Inflationary
- Service Development
- Legislative Requirements

Inflationary Pressures

- a. Inflation related
 - i. Average wages increase 5%
 - ii. Average contract and Third Part Supplier cost increase – 6%

Service Development

- b. Investment in technology supporting LPPA's Efficiency and Service Programme (ESIP).
 - i. Additional functionality for portal development for employers and members including recent introduction of employer self service estimates.
 - ii. Improvements to the monthly returns process, which will allow for further automation in the future from data received. As a result of the focus on delivering the automation, additional resources are required to support the full roll out to all Havering employers. Automation from full monthly reporting will mean employers will not have to separately report starters, change of contracts and leavers for members with only post 2014 service. This will reduce delays in LPPA processing new joiners and leavers
 - iii. The expectation that the automation and improvements within the ESIP programme will start to yield the efficiencies required to stabilise prices in the future years.
- c. Additional budget set for training and development to support resilience within workforce as experienced local government Pension Administration positions become more competitive to source.

Legislative Requirements

- d. Increase in costs incurred for compliance with statutory and regulatory requirements;
 - i. Implementation of the McCloud remedy - the required updates to the UPM system are being tested and loaded. LPPA are now processing active retirements with underpin protections where required and will revise existing benefits once the final system updates are in place.

- ii. Pension Dashboard – this will enable individuals to access all their pension information (not just that held with Havering) online, securely and in one place with a view to supporting better planning for retirement. The connection date for public service pension schemes is October 2025.
- 2.5 The increase in membership numbers across the Havering Fund correlates to the reported increase in calls to LPPA’s contact centre and number of cases across the various areas within LPPA.
- 2.6 The proposed budget settlement of £0.648m, is LPPA’s estimate for the 2024-25 financial year. Officers will be provided with quarterly finance performance data, including their latest forecasted outturn, looking at outturn projections and future budget proposals.

3. Outturn Position 2023-24

- 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. As part of the quarterly performance updates, the financial position is reviewed and challenged.
- 3.2 At the time of publishing this report, LPPA have provisionally advised of an outturn position of £0.552m, which would be a £0.010m underspend against the 2023-24 budget of £0.562m. A final outturn position will be presented at a later committee.

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, the budget will be 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 months’ notice but is otherwise indefinite.

The provisions relating to price are as follows:

- i. 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

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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 September prior to the commencement of the budgetary year.

- ii. 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 a 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:

- a. the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- b. the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- c. 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.