



PENSIONS COMMITTEE

25 JUNE 2024

Subject Heading:

PENSION FUND ACCOUNTS 2023/24

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 2024

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 Authority's Statement of Accounts for the year to 31st March 2024 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 2024 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. The Accounts and Audit (amendment) Regulations 2022 (SI 2022/708) came into force on 22nd July 2022 and revised the statutory deadline for publishing the audited financial statements to 30 September for 2022/23 accounts and the subsequent 5 years, until the 2027/28 accounts have been completed. The deadline for the Council to produce and publish draft accounts is 31st May for the 2023/24 accounts.
- 1.2. The Pension Fund draft accounts have been produced and published in line with the Accounts and Audit Regulation 2015 meeting the deadline of 31 May.
- 1.3. The Accounts have been compiled in line with the Chartered Institute of Public Finance & Accountancy (CIPFA) *“LGPS Funds Accounts 2020/21 example accounts.”*
- 1.4. There were no code changes in 2023/24 that affect the Pension Fund accounts.
- 1.5. The latest version of the Pension Fund Accounts is shown as attached in **Appendix A**.
- 1.6. Key movements to note from the 2023/24 accounts are:
 - The Net Assets of the Fund has increased to **£969m** for 2023/24 from £896m in 2021/22, an increase of **(£73m)**.
 - The increase of **(£73m)** is compiled of change in market value of investments (£54m), investment income of (£18m) and net additions of cash of (£1m). Further details are included within the Fund Account and Net Asset Statement included in this report.

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- 1.7. The Authority's full Statement of Accounts for 2023/24 will be presented to the Audit Committee for approval in due course. 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.
- 1.8. The 2023/24 accounts audit is scheduled to commence in June 2024.
- 1.9. At the time of writing this report, the audit of the Pension Fund Accounts 2020/21, 2021/22 and 2022/23 are still subject to completion by our external auditor's Ernst and Young LLP (EY) as part of the overall audit of the Authority's Statement of Accounts.
- 1.10. **2020/21 Accounts audit update** - There was an update presented to the Audit Committee on the 14 May 2024, audit is substantially complete subject to quality assurance work and review. The Audit Results Report (ARR) presented noted the following:
 - **Audit differences** - an adjustment of (£175m 2020/21 and £124m 2019/20) to fair value hierarchy disclosure classification from Level 1 to Level 2
 - **Audit differences** - a line called 'Loans and Receivables' amount to £31m should not be included in the disclosure, £7m cash deposits should have been included as part of 'financial assets at fair value through profit and loss – level 1. A prior period adjustment disclosure note was included in the Pension Fund Statement of Accounts.
 - **Unadjusted audit differences** - There are uncorrected audit differences arising from procedures performed on the valuation testing of Level 3 investments which in total would increase the value of the Pension Fund assets by £1.4 million. This is due to timing differences between the information included in the custodian report, which was used by management to compile the accounts, and the figures in the fund manager reports which reflected the most up to date information as at 31 March 2021.
- 1.11. **2021/22 and 2022/23 Accounts audit update** - these audits have commenced and are ongoing.
- 1.12. A copy of the audited Pension Fund Accounts and the auditors' opinion will be included in the 2023/24 Pension Fund Annual Report. The statutory publication date for the 2023/24 Pension Fund Annual Report is **1 December 2024**. If the audit has not been completed it will still be published as unaudited as was the case in prior years
- 1.13. 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 once issued.

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.

Fees charged to the Pension Fund will consist of charges for core fees (as agreed by the Public Sector Audit Appointment (PSAA)) plus recurrent and non-recurrent fee variations where these have been submitted and approved by the PSAA. 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 completed.

As an indication of costs, the 2019/20 audit actual fee charges for the Pension Fund are shown below along with estimates for the variations for outstanding audits for 2020/21, 2021/22 and 2022/23 are shown in the following table:

Table 1 Audit Fees

	2019/20 Fees	2020/21 Fees	2021/22 Fees	2022/23 Fees
	Actual	Estimate	Estimate	Estimate
	£	£	£	£
Core Fees	16,170	16,170	16,170	26,084
Variation	14,300	⁽¹⁾ 57,842	60,000	60,000
Total Fees	30,470	74,012	76,170	76,170

⁽¹⁾ as set out the 2020/21 ARR report as at May 24

The 2023/24 fee scale is the first in the five-year appointing period specified by PSAA, covering 2023/24 to 2027/28 audits. Auditors will undertake their work under these new contracts.

The level at which the 2023/24 fee scale is set is largely determined by two factors which PSAA does not control: the volume of audit work required to deliver audits compliant with the requirements of the Code of Audit Practice, and audit supply market rates.

In November 2023 the PSAA published the 2023/24 audit fee scales and set this at £85,945.

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

Legal implications and risks:

The Accounts and Audit (amendment) Regulations 2022 (SI 2022/708) came into force on 22nd July 2022 and revised the statutory deadline for publishing the audited financial statements to 30 September for 2022/23 accounts and the subsequent 5 years, until the 2027/28 accounts have been completed. The deadline for the Council to produce and publish draft accounts has reverted back to the 31st May for the 2022/23 accounts and beyond as per the Accounts and Audit Regulations 2015.

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