



Havering
LONDON BOROUGH

PENSIONS COMMITTEE

05 NOVEMBER 2024

Subject Heading:

**PENSION FUND ANNUAL REPORT-
YEAR ENDED 31 MARCH 2024**

SLT Lead:

Kathy Freeman

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Policy context:

Regulation 57 of LGPS Pension Scheme
Regulations 2013 mandates Annual
Report publication from 1 April 2014

Financial summary:

Audit Costs for Annual Report Included in
Overall Fund Audit Expenses

**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 2023/24 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 2023/24 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. Regulation 57 of The Local Government Pension Scheme (LGPS) Regulations 2013 mandates the statutory basis for LGPS fund annual reports starting from 1 April 2014.
2. Administrating authorities must prepare a pension fund annual report for each year beginning on 1 April 2014 and every subsequent year.
3. The annual report must be published by 1 December following the end of the reporting year. For the period 1 April 2023 to 31 March 2024, the report should be published by 1 December 2024.
4. The Regulations state that the annual report must contain the following:
 - a) Details of overall Fund management
 - b) Details Governance and training undertaken by Board and Committee members
 - c) Financial Performance
 - d) Fund Account and Net Asset Statement
 - e) Investments and Funding including Pooling
 - f) Scheme Administration including Key Performance Indicators (KPI's)
 - g) Actuarial Report
 - h) External Audit Report
 - i) Clear link to Funding Strategy Statement, Investment Strategy Statement, Governance Compliance Statement and Communication Strategy.
 - j) 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 Scheme Advisory Board (SAB) April 2014.
7. The Annual report attached as **Appendix A** has been prepared in accordance with the new guidance issued by SAB. Including the new provision to incorporate hyperlinks to the Fund's Funding Strategy Statement, Investment Strategy Statement, Governance Compliance Statement and Communication Strategy.
8. Policies and statements listed in the Annual Report must be as at the year end date, 31 March 2024.
9. To provide the Committee with assurance that the annual report has been produced in line with SAB guidance the Fund has completed the Annual Report checklist, attached as **Appendix B**, the guidance 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 guidance “preparing the pension fund annual report” made available in April 2024 includes additional new data requirements and in some instances it has not been possible to provide some of the KPI's as the administration software cannot be backward configured. For 2023/24 Annual Report Funds are asked to make best endeavours. Officers are liaising with Local Pension Partnership Administration to ensure these KPI's can be measured going forward.
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 2024**.
12. At the time of writing this report the 2023/24 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.

Audit fees include core fees (as set by the Public Sector Audit Appointment (PSAA)) and any additional charges. Due to ongoing audit delays, full audit costs are unknown until completion. Previous and estimated fees are as follows:

Table 1 - Fees

| | 2019/20 Actual £ | 2020/21 Estimated £ | 2021/22 Estimated £ | 2022/23 Estimated £ | 2023/24 Estimated £ |
|-------------------|---------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Total Fees | 26,300 | 35,193 | 55,012 | 51,785 | 85,945 |

Audit fees for local authority pension funds have increased significantly due to several factors highlighted by the Public Sector Audit Appointments (PSAA). One major reason is the limited audit capacity available to meet the demands of the local government audit market, which was evident during the recent procurement process. The audit profession has faced heightened scrutiny following several high-profile financial failures in the private sector, leading to increased regulatory challenges and changes in audit requirements under the Code of Audit Practice. These factors, combined with a backlog of audits and evolving financial reporting standards, have contributed to the rising costs.

The 2020/21 Pension Fund Annual Report and Accounts are yet to be finalised due to unresolved issues in the Authority's Statement of Accounts. The 2020/21 report was published as unaudited to meet the 1 December 2021 deadline.

The 2021/22 and 2022/23 Annual Reports were also published as unaudited to meet the 1 December deadline. Audits for these years began in September 2023 and are ongoing.

Audit costs will be covered by the Pension Fund, with final costs determined upon audit completion.

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.

As the Report sets out there are certain areas where the Annual 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

