

LOCAL PENSIONS BOARD

Subject Heading:

Pensions Administration Budget 2025/26

OMT Lead:

James Cocks
Assistant Director of Transactional People Services

Report Author and contact details:

Caroline Guyon
Pensions Projects and Contracts Manager
caroline.guyon@havering.gov.uk
01708 4323185

Policy context:

Local Government Pension Scheme Regulations 2013.

Financial summary:

The proposed budget for 2025/26 is £0.740m to be met by the Pension Fund. This is an increase of £92,000 on the original budget set for 2024/25

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 2025/26 financial year of £0.740m, an overall increase of 14.14% from 2023/24, for agreement by Committee.

RECOMMENDATIONS

The Board are asked to:

- Note the 2024/25 budget of £0.740m 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 for the difference between the actual costs and the budget that was actually agreed.

Local Pensions Board, 8 April 2025

- 1.4 Following receipt of the budget proposal officers met with the Operations Manager and Director of Finance in March 2025 to discuss the budget in further detail seeking to gain a full understanding of the rationale for the increase.
- 1.5 Due to timing of the session and subsequent information requested, officers were unable able to present a final budget position at March 2025 committee.

2. Budget Proposal for 2024-25

- 2.1 LPPA on behalf of LCC has proposed a budget for 2025-26 of £0.740m this is an increase of 14.14% on 2024-25, 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
2024-25 LPPA Administration Budget	21,149	£30.64	£648,005.36
2025-26 LPPA Administration Budget	22,078	£33.50	£739,613.00
Difference (Amount)	929	£2.86	£91,607.64
Difference (Percentage)	4.39%	9.33%	14.14%

- 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 LPPA's quarterly performance reports.
- 2.4 The increase in price per member has been driven by a variety of factors' for the purpose of the report it has been grouped by;
 - Inflationary/Increase in Employer National Insurance
 - Service Development
 - Data Quality
 - Legislative and Compliance Requirements

Inflationary Pressures

- a. Inflation related
 - i. Average wage increase has been 3%
 - ii. Average contract and Third Party Supplier cost increase – 2.6%

- b. National Insurance Employer Cost
 - i. In the 2024 Autumn Budget, Chancellor Rachel Reeves announced the rate of employers' National Insurance Contributions will increase from 13.8% to 15%, from April 2025. The level at which employers start paying NICs (the secondary threshold) will also reduce from £9,100 to £5,000 per year
 - 1. Factoring the early point for commencing paying National Insurance and the higher rate, LPPA estimated the impact to their wage bill would rise by approx. 3%

Service Development

- c. Demand on LPPA's services continue to increase each year, over the annual increase in membership numbers.
 - i. The membership numbers of the fund have increased by 4.39%, but the volume of cases and workload has increased above that number

Deaths	8.6%
Retirements	8.8%
Refunds	24.1%
Deferred	50.2%

- d. Investment in technology supporting LPPA's Efficiency and Service Programme (ESIP) is how LPPA is seeking to mitigate the demand increases, the ESIP programme has seen;
 - i. Additional functionality for portal development for employers and members including recent introduction of employer self service estimates. Giving more oversight and control over data held by LPPA.
 - ii. Improvements to the monthly returns process, now means Employers no longer have to;
 - 1. Submit any starter or change of contract forms or leaver forms for members under the age of 55. This will have a positive impact on the member experience
 - 2. Submit a separate contribution reconciliation report to the Fund in addition to uploading their monthly return to LPPA.
- e. Additional budget continues to be ring-fenced for training and development to support resilience within workforce as experienced local government Pension Administration positions become more competitive to source.
- f. Positively LPPA are seeing reward for their training and development strategy with an improvement of 11% in their staff turnover, allowing them to remove the previous vacancy factor.

Data Quality

- g. Efficiencies via, automation and process improvements aim to offset the increase in demand, however one of the barriers to fully realising efficiencies is having accurate and timely data supplied to LPPA.
- h. LPPA have highlighted a growing risk which is the quality and timeliness of data provided by employers of the fund.
- i. This could be employers late with submitting the monthly returns, which may then delay the retirement processes.
- j. As the administering authority we will be to work with LPPA and engage with Havering employers where there are data issues.

Legislative Requirements

- k. Increase in costs incurred for compliance with statutory and regulatory requirements;
 - i. The McCloud remedy – The first phase of McCloud identified 4875 members who are potentially eligible for underpin addition to their pension. 1928 of these were active members and any underpin will be calculated at the date of the relevant event. The remainder have already had benefits calculated and now LPPA's role is to review each case to establish what, if any, underpin addition is due and recalculate the members' benefits.
 - 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, with a public access coming around October 2026.
- 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.

3 Benchmarking and Scheme Advisory Board

- 3.1 Cllr Roger Phillips, Chair of Local Government Pension Scheme Advisory Board in January 2025 wrote to Chief Financial Officers, Pension Committee Chairs at Local Government Pension Scheme Administering Authorities, to draw attention to the recommendation in the Good Governance Review.

- 3.2 The recommendation, “each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year”
- 3.3 The letter acknowledges the pressures council are facing in delivering their services and how this should not impact decisions made in on the level of funds to ensure service delivery by the pension fund acknowledging it is a specialist area.
- 3.4 LPPA take part in an annual CEM Benchmarking Survey, which reviews the cost per member rates across 15 pension administrators (with 10 administering LGPS). Details of the latest survey results are found in Exempt Appendix 1.
- 3.5 The price per member rate for administration services, is the same rate per the other 10 local authority funds where LPPA provide LGPS administration services.

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 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.