

# Pension Board Agenda

**Date:** Thursday 16 December 2021

**Time:** 6.30 pm

**Venue:** Virtual Meeting - Online

**Membership** (Quorum 3, including at least one Employer representative and one Scheme Member representative).

---

**Chair:** Mr R Harbord

**Board Members:**

Councillor James Lee	- Harrow Council, Employer Representative
Gerald Balabanoff (VC)	- Scheme Members' Representative - Pensioners
Patrick O'Dwyer	- Scheme Members' Representative - Active Members
Dr Simon Radford	- Employer Representative – Scheduled and Admitted Bodies

**Contact:** Nikoleta Kemp, Senior Democratic and Electoral Services Officer  
Tel: 07761 405898 Email: [nikoleta.kemp@harrow.gov.uk](mailto:nikoleta.kemp@harrow.gov.uk)

Scan this code for the electronic agenda:



# **Useful Information**

## **Meeting details**

This meeting is open to the press and public and can be viewed on [www.harrow.gov.uk/virtualmeeting](http://www.harrow.gov.uk/virtualmeeting)

## **Filming / recording of meetings**

Please note that proceedings at this meeting may be recorded or filmed. If you choose to attend, you will be deemed to have consented to being recorded and/or filmed.

The recording will be made available on the Council website following the meeting.

**Agenda publication date: Wednesday 8 December 2021**

# Agenda - Part I

## 1. **Declarations of Interest**

To receive declarations of disclosable pecuniary or non pecuniary interests, arising from business to be transacted at this meeting, from:

- (a) all Members of the Committee;
- (b) all other Members present.

## 2. **Minutes** (Pages 5 - 12)

That the minutes of the meeting held on 6 October 2021 be taken as read and signed as a correct record.

## 3. **Public Questions** \*

To receive any public questions received in accordance with Committee Procedure Rule 17.

Questions will be asked in the order in which they were received. There will be a time limit of 15 minutes for the asking and answering of public questions.

**[The deadline for receipt of public questions is 3.00 pm, 13 December 2021. Questions should be sent to [publicquestions@harrow.gov.uk](mailto:publicquestions@harrow.gov.uk)**

**No person may submit more than one question].**

## 4. **Petitions**

To receive petitions (if any) submitted by members of the public/Councillors under the provisions of Committee Procedure Rule 15 (Part 4B of the Constitution).

## 5. **Deputations**

To receive deputations (if any) under the provisions of Committee Procedure Rule 16 (Part 4B) of the Constitution.

## 6. **Pensions Administration Update to 30 September 2021** (Pages 13 - 20)

Report of the Director of Finance and Assurance.

## 7. **Audit of Pension Fund Annual Report and Accounts for 2020-21** (Pages 21 - 56)

Report of the Director of Finance and Assurance.

## 8. **Review of Fund Policies** (Pages 57 - 80)

Report of the Director of Finance and Assurance.

## 9. **Review of Pension Fund Risk Register** (Pages 81 - 94)

Report of the Director of Finance and Assurance.

## 10. **Review of Pension Fund Committee Items (24 November 2021)** (Pages 95 - 102)

Report of the Director of Finance and Assurance.

## 11. **Pension Board Work Programme For Future Meetings** (Pages 103 - 106)

Report of the Director of Finance and Assurance.

## 12. **Any Other Business**

Which cannot otherwise be dealt with.

13. **Exclusion of Press and Public**

To resolve that the press and public be excluded from the meeting for the following items of business, on the grounds that they involve the likely disclosure of confidential information in breach of an obligation of confidence, or of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972:

Agenda Item No	Title	Description of Exempt Information
14	Review of Pension Fund Committee Items (24 November 2021) – Appendix 2	Information under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972, relating to the financial or business affairs of any particular person (including the authority holding that information).

## Agenda - Part II

14. **Review of Pension Fund Committee Items (24 November 2021)** (Pages 107 - 122) Appendix 2 to the report of the Director of Finance and Assurance.

**\* Data Protection Act Notice**

The Council will record the meeting and will place the recording on the Council's website.

[**Note:** The questions and answers will not be reproduced in the minutes.]



# Pension Board

## Minutes

### 6 October 2021

**Present:**

**Chair:** Mr R Harbord

<b>Board Members:</b>	James Lee	Harrow Council, Employer Representative
	Gerald Balabanoff (VC)	Scheme Members' Representative - Pensioners
	Patrick O'Dwyer	Scheme Members' Representative - Active Members

<b>In attendance: (Officers)</b>	Jeremy Randall	Interim Pensions Manager
----------------------------------	----------------	--------------------------

<b>Apologies received:</b>	Dr Simon Radford	Employer Representative – Scheduled and Admitted Bodies
----------------------------	------------------	---

**1. Declarations of Interest**

**RESOLVED:** To note that the declarations of interests had been published on the website and would be taken as read.

**2. Minutes**

**RESOLVED:** That the minutes of the meeting held on 8 July 2021, be taken as read and signed as a correct record.

**3. Public Questions**

**RESOLVED:** To note that no public questions had been received.

**4. Petitions**

**RESOLVED:** To note that no petitions had been received.

**5. Deputations**

**RESOLVED:** To note that no deputations had been received.

**Resolved Items**

**6. Membership of Pension Board**

The Chair announced that Dr Simon Radford had joined the Pension Board as an Employer Representative – Scheduled and Admitted Bodies, following a formal appointment at Harrow’s full Council on 30 September 2021.

**RESOLVED:** To note the change to the Pension Board membership.

**7. Pension Fund Draft Annual Report 2020-21**

The Board received the Draft Pension Fund Annual Report for 2020-21 for the year ended 31 March 2021 and the External Audit Plan.

During the discussion that ensued the following were highlighted:

- 1) the Pension Fund’s 2019-20 Annual Report and Accounts had been finally been signed off by the Fund’s Auditors – Mazars- on 6 July 2021 and the audited version had been published;
- 2) The audit of the Pension Fund’s 2020-21 accounts, carried out by Mazars, was in progress and would be reported to the Council’s Governance, Audit, Risk Management and Standards Committee at its meeting on 12 October 2021 for approval of the accounts before the final audited report was published by 1 December 2021;
- 3) Note 23 to the accounts relating to Additional Voluntary Contributions and set out in Appendix 2 to the officer report remained incomplete due to information from one the providers (Prudential) being awaited. Although it did not affect the accounts’ key financial statements, the delay was

considered unacceptable and officers were actively pursuing the missing information; and

- 4) Despite acknowledging the rising value of the Fund, which was close to predicted liabilities and reflected the rising market and level of employers' contribution, the Board was advised that the cost of future service was likely to rise due to an upward shift in forecast wage levels and inflation which in result could offset the improved valuations of the Fund.

In response to a Member's question on the cost of the external audit, the Board was advised that the cost referred to in Appendix 1 of £16,000 was a scale fee, with the actual cost the Council was expecting to pay for Mazars' services likely to be in the realm of £19,000 (Appendix 2). The audit process was largely similar to previous years with the exception of some additional quality control procedures which had marginally delayed the sign-off process.

In response to a Member's question, the Board was informed that this was the third year in a row in which Mazars were carrying out the audit of accounts. The process of selecting an external auditor was managed by a third-party company (Public Sector Audit Appointments Ltd) which conducted a tendering exercise. If a change of auditors was needed, then this could be considered and requested in 2022/23.

**RESOLVED:** That the Report be noted.

## **8. Pensions Administration Performance Monitoring**

The Board received a report on Pensions Administration Update for the quarter ending on 30 June 2021, which provided a summary of the Pension Administration Team's performance and updated Members on changes arising from the McCloud Judgement and the Public Sector "Exit Cap".

During the discussion that ensued, the following points were highlighted:

- 1) monitoring the service performance of the Fund was a key responsibility of the Board. The Board had been monitoring comparative pensions administration indicators since June 2017. The report provided information on performance to 30 June 2021;
- 2) the Pensions administration performance statistics measured against the national benchmarks for the Quarter to 30 June 2021 and were set out in Appendix 1 to the officer report. The comparative performance for other Local Government Pensions Scheme (LGPS) authorities was no longer collated centrally and performance monitoring table at Appendix 1 had been updated accordingly;
- 3) The statistics demonstrated a strong performance with a 100% target only missed where information from other employers/stakeholders had been received late. No known breaches of law, disputes or complaints had been reported in the current financial year to date;

- 4) A resolution to a complaint submitted to the Pensions Ombudsman in December 2020 regarding ill health retirement was still being awaited. A further case on a similar issue had been received in the meantime and was currently being reviewed;
- 5) Work had begun on collating and validating employers' data to enable implementation of the changes following amendments to the Public Service Pensions Act 2013 as required by the McCloud Judgement, with additional support provided by the software company Aquila Heywood; and
- 6) A new Pensions Team Leader was appointed in July 2021 and had already started in the role. An additional Team Member was expected to start by December 2021, which would complete the Team and provide sufficient resources to effectively discharge its functions.

**RESOLVED:** That the Report be noted.

## **9. Review of Pension Fund Committee Items (13 September 2021)**

The Board received a report on the Review of Pension Fund Committee Items summarising the matters considered by the Committee at its meeting on 13 September 2021.

The Interim Pensions Manager referred to a number of points, which were going to or already had been raised as part of the agenda for this meeting. A key item for discussion at the Pension Fund Committee meeting which was highlighted by the Officer was the Environment, Social and Governance (ESG) reporting, which produced a helpful discussion and resulted in benefits and Pensions Investment Consultant, AON, being asked to carry out further work before the next meeting and develop an ESG dashboard so that progress on the investment side in terms of the above areas can be reported.

Members welcomed the report and did not raise any further comments.

**RESOLVED:** That the report be noted and a further report on Environment, Social and Governance (ESG) reporting be included in the agenda for the next Pension Board.

## **10. Review of Investment Strategy Statement**

The Board received a report on the Review of Investment Strategy Statement, which presented Members with an updated Strategy Statement its recent review. The Statement was approved by the Pension Fund Committee at its meeting on 13 September 2021.

During the discussion that ensued, the following were highlighted:

- 1) Harrow's Pension Fund already had an Investment Strategy Statement (ISS) in line with requirements by the LGPS Regulations. The Fund had been working with AON to update Strategy Statement in order to



reflect a number of key decisions made by the PFC over the last twelve months;

- 2) Referencing page 124 of Appendix 1 to the officer report, the Board was informed that the Pension Fund Committee (PFC) had requested for the benchmarking targets of each fund to be separated in two separate columns in order to make it clearer what the benchmark was and highlight any outperformance before the final version of ISS could be published;
- 3) Environmental, social and governance considerations were key element in long term investment performance and sustainable returns. As part of the updated ISS, investment managers were being asked to sign up to the UK Stewardship Code and UN Principles for Responsible Investment (PRI) on an annual basis and report regularly on their compliance with the Code and other relevant environmental, social and governance principles;
- 4) The Fund was committed to ensuring highest standard of governance and corporate responsibility in the companies in which investments were made and sought to exercise its rights (including voting rights). The Fund was a member of the Local Authority Pension Fund Forum (LAPF) which took a lead role in engagement with companies on behalf of its members. A challenge for Harrow's PF was that its equity holdings were wholly invested in pooled funds rather than individual shareholdings and therefore most engagement decisions were made by fund managers. Although managers were strongly encouraged to vote in line with voting alerts issued by the Local Authority Pension Fund Forum as far as practically possible the Fund reserved the right to put pressure on matters of importance by exercise its voting rights; and
- 5) The benchmarks and targets outlined in the officer report were set by an independent investment adviser in a way that managed risks and monitored outperformance and were effectively what investment fund managers were appointed to. Although the list of funds remained largely unchanged, a recent change included the Multi-Asset Credit (CQS) fund which would now be measured against the Sterling Overnight Interbank Average Rate (SONIA).

**RESOLVED:** That the updated Investment Strategy Statement as set out in Appendix 1 to the officer report be noted.

## 11. **Good Governance Review Update and Implementation**

The Board received an update report on progress with the Good Governance Review and Implementation.

A key part of the review was to ensure that the Fund's policies and other key documents were up to date. The main strategy was to follow the Fund's Actuary Hymans Robertson existing policies and adapt them to the needs of the Fund, focusing on the following five priority areas:

- Conflicts Management policy
- Representation Policy
- Administration strategy
- Communications Policy (updated in March 2021)
- Training Strategy

Given the Board's supporting role in ensuring compliance of the administering authority with relevant regulations and codes of practice, it was suggested that the Board's expertise be sought in the form of reviewing the above draft policies before they are brought to the Pension Fund Committee for approval and adoption.

**RESOLVED:** That the report be noted and suggested approach of reviewing up to two policies per meeting be agreed.

## **12. Update on London Collective Investment Vehicle (CIV) and Investment Pooling Arrangements**

Having noted the confidential appendices to the officer report, the Board received an update on London Collective Investment Vehicle (CIV) and Investment Pooling Arrangements.

During the discussion that ensued the following were highlighted:

- 1) It was considered an informal target that as a minimum Funds should have pooled at least 75% of their assets by 2023. Harrow was making good progress against these objectives and was on track to meet the target, with 58.5% of the equity funds pooled as of 31 July 2021;
- 2) New funds had been launched, including a property fund which was currently missing from the Fund's portfolio;
- 3) Cross-pool collaboration had not happened to a large degree but was seen as an area which could produce some benefits in the future;
- 4) Management of the CIV had settled down and made progress in recent years. The appointment of a new Chief Executive and Client Director was seen as key in growing the confidence in the CIV, particularly in terms of the CIV's capacity to deliver; and
- 5) The Pension Fund Committee was relatively confident with the level of engagement between CIV and London Borough of Harrow

**RESOLVED:** That the report be noted.

## **13. Training update**

The Board received a report which reviewed the current Pension Board training arrangements and sought Member's view on any future training required.

During the discussion that ensued, the following points were highlighted:

- 1) Training strategy would be brought forward as part of the Local Government Pension Scheme (LGPS) Good Governance Review.
- 2) Some changes to Pension Fund Committee and Pension Board's memberships were possible in light of the upcoming Local Election in May 2022 and some consideration on potential training requirements was needed.

**RESOLVED:** That the report be noted.

#### **14. Work Programme**

The Board received the Report of the Pension Board Work Programme for Future Meetings, which listed forthcoming items for consideration the dates of future meetings. Officers advised that the Government's Actuary Department (GAD) Section 13 and External Audit reports had been delayed and were expected to be presented at the December Board meeting.

The Chair also announced that due to a conflict of appointments, it would be necessary to agree a new date for the next meeting of the Board for 1<sup>st</sup> December 2021. A number of alternative dates were being considered and a confirmation would be circulated by Democratic Services as soon as practicable.

Some Board Members expressed their desire to have a meeting in person, however, that would depend on several factors, and a decision would be made later.

**RESOLVED:** That the Report be noted and that the new date for the December Board meeting be confirmed.

#### **15. Update on London Collective Investment Vehicle (CIV) and Investment Pooling Arrangements**

See minute 12.

(Note: The meeting, having commenced at 6.30 pm, closed at 7.42 pm).

(Signed) Richard Harbord  
Chair

This page is intentionally left blank



## **Report for: Pension Board**

---

<b>Date of Meeting:</b>	16 December 2021
<b>Subject:</b>	Pensions Administration Update to 30 September 2021
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	Not applicable
<b>Enclosures:</b>	Appendix 1: Pension Administration Performance Monitoring to 30 September 2021

## **Section 1 – Summary and Recommendations**

---

This report summarises the performance of the Pensions Administration team for the quarter ended 30 September 2021 and updates the Board in respect of a number of other items.

### **Recommendations:**

The Board is requested to note the report.

## **Section 2 – Report**

1. Monitoring the service performance of the Fund is a key responsibility of the Board. The Board has been monitoring comparative pensions administration indicators since June 2017. This report provides information on performance to 30 September 2021.
2. The pensions administration performance statistics measured against the national benchmarks for the Quarter to 30 September 2021 are set out in Appendix 1. The numbers of cases have been added to the table to provide further contextual information about performance. The Board is invited to comment on this performance.

3. Table 1 below sets out the membership of the Pension Fund in the current year to 30 September 2021, with previous years to 31 March as a comparator. The percentage of active members in the fund is one indicator of the maturity of the fund.

Table 1 Pension Members to 30 September 2021				
	31 March 2019	31 March 2020	31 March 2021	30 September 2021
Pensioners	5,795	6,004	6,196	6,335
Deferred	6,966	7,037	7,033	6,987
Active Members	5,400	5,410	5,309	5,456
% Active Members	29.7%	29.3%	28.6%	29.05%
Total	18,161	18,451	18,538	18,778

### Requirement to Report Breaches of Law

4. The Pension Board reviewed the breaches in law policy and breaches reporting procedure at its meeting on 20<sup>th</sup> September 2018.
5. There have been no known breaches of law in the current financial year to date.

### Internal Disputes Cases and Complaints

6. No internal disputes or complaints have been raised since the previous report.
7. As reported to previous meetings of the Board, one complaint to the Pensions Ombudsman was received in December 2020. A response was sent to the Ombudsman in January 2021. This complaint related to a decision regarding ill health retirement taken in 2017 and followed a stage 2 appeal which was received and determined early in 2020. The Ombudsman's decision is still awaited.
8. Since the last meeting, two further cases have been referred to the Pensions Ombudsman – in both cases, responses were sent to the Ombudsman in October 2021. These cases also relate to decisions taken regarding ill health retirement, and again the decisions of the Ombudsman are awaited.
9. The Pensions Ombudsman has indicated that their office is dealing with a large number of complaints, (most of which are not related to the LGPS) and that it may be "several months" before they write to LBH again.

### Payment of Employer Contributions

10. Employer contributions are required to be paid in arrears by the 19<sup>th</sup> of each month. All employer contributions have been paid on time in 2021-

22 to date. Employers are contacted if payment has not been received by the due date.

## **Update on Legislation Changes**

### **McCloud**

11. As previously reported, following the 2020 Consultation, on 13<sup>th</sup> May 2021 the Government announced plans to implement the changes proposed in the consultation from 1 April 2023. On 19 July 2021, a bill was put before Parliament amending the Public Service Pensions Act 2013 to rectify unlawful discrimination in public service pension schemes. The Bill to amend this Act is currently progressing through the committee Stage in the House of Commons. It is expected that draft LGPS regulations will be issued for consultation by the end of 2021. Currently these are still awaited.
12. Once there is some certainty regarding the structure of the new Regulations, the LGPS software providers will be able to make the necessary changes
13. As previously advised, work has begun to validate and where necessary to collect the data from employers to enable us to implement the changes. To complete this task Aquila Heywood are providing additional resource and assistance to the LBH Team.

### **Exit cap**

14. As reported previously, the Public Sector “Exit Cap” Regulations were repealed in February 2021, and the Government announced that measures to achieve the cap’s intended outcomes would be implemented later in 2021. On 28<sup>th</sup> May, the Government issued Guidance on “Special Severance payments” to the rest of the public sector. A consultation in respect of the LGPS is still awaited.

### **Other Matters**

#### **Scheme Advisory Board (SAB)**

15. The SAB’s most recent meeting was on 27 September 2021. Items considered were
  - Investment cost transparency and reporting thereof
  - Replacement of the CIPFA Pensions Panel with an SAB “Compliance and Reporting Committee”. One of this Committee’s important functions will be to review, develop and issue guidance on LGPS Funds’ Annual Reports and Accounts.
  - Legislative progress (meetings with DLUHC) including cost management of the scheme
  - Investment, Governance and Engagement
16. The agenda and papers can be found at the following link <https://lgpsboard.org/index.php/about-the-board/prev-meetings>

## **GAD Section 13 Report**

17. An initial draft of the Government Actuary's Department (GAD) "section 13" report – which sets out the 2019 triennial valuation results for all LGPS funds on a comparable basis (i.e. using consistent actuarial assumptions) has been shared with the various actuarial firms, but as yet it has still not been published. When this happens, the report will be brought to the Board.

## **Triennial Valuation 2022**

18. The Board will be aware that the next triennial valuation will be carried out based upon the Fund's position as at 31 March 2022. The Pension Fund Committee received a training presentation from Laura McInroy of Hymans Robertson before its last meeting on 24 November 2021. Laura explained the process and set out an outline timetable for the valuation and reporting of the results.

19. The timetable can be summarised as follows:

- Q4 2021 – pre-planning work and initial data cleansing is already underway.
- Q1 2022 – review of key actuarial assumptions (investment returns, inflation and pay growth, mortality)
- Q2 2022 – final data cleansing and submission of data to actuary, initial review of Funding Strategy Statement (FSS)
- Q3 2022 – whole fund funding level report, initial modelling of employer contribution rates
- Q4 2022 – employer results published, consultation on FSS, employer forum
- Q1 2023 – final valuation report signed off.
- April 2023 – "new" employer contribution rates implemented.

20. Further reports will be submitted to the Pension Fund Committee and to the Board as the valuation work progresses.

## **Legal Implications**

21. There are no direct legal implications arising from this report.

22. The terms of reference for the Board include assisting the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme.

## **Financial Implications**

23. There is a cost of engaging Aquila Heywood to assist in the collection of employer data in readiness to implement fully the McCloud Judgement when the new Regulations become available. The work to deliver the triennial valuation will result in additional fees payable to the Fund's



actuary, Hymans Robertson. These costs are being / will be met from the Pension Fund.

## **Risk Management Implications**

24. The Pension Fund's Risk Register is reviewed regularly by both the Pension Fund Committee and by the Board. The next review will be considered elsewhere on the agenda for this meeting.
25. There are no specific risk management implications arising from this report.

## **Equalities implications / Public Sector Equality Duty**

26. Was an Equality Impact Assessment carried out? No
27. There are no direct equalities implications arising from this report, although as the Committee is aware, the McCloud Judgement arose from an Equalities Claim against another public sector pension scheme.

## **Council Priorities**

28. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

## **Section 3 - Statutory Officer Clearance**

**Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 30/11/2021**

**Statutory Officer: Sharon Clarke**

Signed on behalf of the Monitoring Officer

**Date: 30/11/2021**

**Chief Officer: Charlie Stewart**

Signed by the Corporate Director

**Date: 30/11/2021**

## **Mandatory Checks**

**Ward Councillors notified:** Not Applicable

## **Section 4 - Contact Details and Background Papers**

**Contact:** Jeremy Randall – Interim Pensions Manager

Email: [Jeremy.randall@harrow.gov.uk](mailto:Jeremy.randall@harrow.gov.uk)

Telephone: 020 8736 6552

**Background Papers:** None

**Performance Monitoring 01/07/2021-30/09/2021**

<b>SERVICE</b>	<b>National Benchmarking Target</b>	<b>Harrow Achievement %</b>	<b>Cases within Target</b>	<b>Total Cases</b>
Issue letter notifying of dependent's benefit	<b>5 days</b>	<b>81.82</b>	<b>9</b>	<b>11</b>
Calculation and notification of ill health estimate	<b>10 days</b>	<b>100</b>	<b>2</b>	<b>2</b>
Calculation and notification of retirement benefits estimate	<b>10 days</b>	<b>100</b>	<b>48</b>	<b>48</b>
Issue letter to new pension provider detailing transfer-out quote	<b>10 days</b>	<b>95.45</b>	<b>21</b>	<b>22</b>
Calculation and notification of deferred benefits	<b>10 days</b>	<b>97.50</b>	<b>39</b>	<b>40</b>
Calculation and notification of retirement benefits	<b>5 days</b>	<b>88.37</b>	<b>38</b>	<b>43</b>
Process refund and issue payment	<b>5 days</b>	<b>100</b>	<b>9</b>	<b>9</b>
Calculation and notification of ill health benefits	<b>5 days</b>	<b>50</b>	<b>1</b>	<b>2</b>
Issue statutory notification on receipt of transfer funds	<b>10 days</b>	<b>100</b>	<b>4</b>	<b>4</b>

This page is intentionally left blank



## **Report for: Pension Board**

---

<b>Date of Meeting:</b>	16 December 2021
<b>Subject:</b>	Audit of Pension Fund Annual Report and Accounts for 2020-21
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	None
<b>Enclosures:</b>	Appendix 1 – Audit Completion Report November 2021 (Mazars)

### **Section 1 – Summary and Recommendations**

---

This report sets out the outcome of the audit of the Pension Fund Annual Report for the year ended 31 March 2021.

#### **Recommendations:**

The Board is recommended to note outcome of the audit.

### **Section 2 – Report**

1. At its last meeting, the Board reviewed the Pension Fund's draft Annual Report and Accounts for 2020-21. At that time the audit of these and the Council's own accounts was in progress.
2. On 30 November 2021, the Council's external auditors, Mazars, reported the outcome of this year's audit to the Governance, Audit, Risk Management and Standards (GARMS) Committee. The audit was virtually completed at that time, and a few minor tasks to achieve the formal completion of the audit were being carried out. At the time of writing this report that work was continuing. The Committee formally approved the accounts.

3. Mazars' Audit Completion Report in respect of the Pension fund audit is attached at appendix 1. This shows a successful outcome – in particular there were no matters of concern to report, and an unqualified opinion has been issued in respect of the accounts.
4. The auditors have made one “emphasis of matter” – the ongoing uncertainty regarding the valuations of property investments which is stated in the Royal society of Chartered Surveyors' (RICS guidance). This is a purely technical item, and one which will be common to most LGPS Funds, as the majority will hold some property investments. At 31 March 2021 the value of the fund's property investments was £61.561m – 6.3% of the fund's total assets (£967.984m).
5. There was only one change from the version submitted – to note 23: Additional Voluntary Contributions. As reported to the previous meeting, there had been some delays in receiving information from one of the AVC providers, Prudential. That information was subsequently received and the note updated accordingly. For ease of reference, rather than appending the entire Annual Report and Accounts document again, the updated note 23 is reproduced below. This is a stand alone note (AVC's are invested outside of the Pension Fund) and did not affect any other part of the accounts.

#### **NOTE 23: ADDITIONAL VOLUNTARY CONTRIBUTIONS**

<b>Market value 31 March 2020</b>		<b>Market value 31 March 2021</b>
<b>£'000</b>		<b>£'000</b>
2,268	Prudential Assurance	2,676
553	Clerical Medical	617
224	Utmost (Previously Equitable Life)	237
<b>3,045</b>		<b>3,530</b>

6. Once the formal sign off has been completed – this is expected to be done during December 2021, the audited version of the report will be published. This will be slightly later than the statutory deadline of 1 December 2021, but as with the previous year, the delay is not due to any action or inaction by Harrow.

## **Legal Implications**

7. There are no direct legal implications arising from this report
8. The terms of reference for the Board include assisting the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme.

## **Financial Implications**

9. Whilst the financial health of the Pension Fund directly affects the level of employer contribution which, in turn, affects the resources available for the Council's priorities there are no impacts arising directly from this report.

## **Risk Management Implications**

10. The Pension Fund's Risk Register is reviewed regularly by the Board. The next review is elsewhere on the agenda for this meeting.
11. There are no specific risk management implications arising from this report. The level of risk to which its investments are exposed is a key component in developing the Fund's investment strategy.

## **Equalities implications / Public Sector Equality Duty**

12. Was an Equality Impact Assessment carried out? No  
There are no direct equalities implications arising from this report.

## **Council Priorities**

13. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

## **Section 3 - Statutory Officer Clearance**

### **Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 02/12/2021**

### **Statutory Officer: Sharon Clarke**

Signed on behalf of the Monitoring Officer

**Date: 02/12/2021**

### **Chief Officer: Charlie Stewart**

Signed by the Corporate Director

**Date: 02/12/2021**

## **Mandatory Checks**

**Ward Councillors notified:** Not applicable

## **Section 4 - Contact Details and Background Papers**

**Contact:** Jeremy Randall – Interim Pensions Manager

Email: [Jeremy.randall@harrow.gov.uk](mailto:Jeremy.randall@harrow.gov.uk)

Telephone 020 8736 6552

**Background Papers:** None



# Audit Completion Report

London Borough of Harrow Pension Fund  
Year ended 31 March 2021

November 2021



# Contents

- 01 Executive summary
- 02 Status of the audit
- 03 Audit approach
- 04 Significant findings
- 05 Internal control recommendations
- 06 Summary of misstatements

262

Appendix A: Draft management representation letter

Appendix B: Draft audit report

Appendix C: Draft consistency report

Appendix D: Independence

Appendix E: Other communications

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Pension Fund are prepared for the sole use of the Pension Fund and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Members of the Governance, Audit, Risk management and Standards Committee  
London Borough of Harrow  
Civic Centre,  
Station Road  
Harrow  
HA1 2XY

30 November 2021

Mazars LLP  
Tower Bridge House  
St. Katherine's Docks  
London  
E1W 1DD

Dear Committee Members

## **Audit Completion Report – Year ended 31 March 2021**

We are pleased to present our Audit Completion Report for the year ended 31 March 2021. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 13 July 2021. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate. We identified the following significant risks/areas of management judgement:

- Management override of controls
- Valuation of unquoted investments

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07387 242052

Yours faithfully

**Lucy Nutley**  
Mazars LLP

# 01

Section 01:

**Executive summary**

1281

# 1. Executive summary

## Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2020/21 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls; and

• Valuation of unquoted investments

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements. There are no unadjusted misstatements.

## Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2021.

At the time of preparing this report, there are no significant matters outstanding.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



### Audit opinion

We anticipate issuing an unqualified opinion, modified to include an 'emphasis of matter' paragraph surrounding the valuation of pooled property investments, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B. This is not a modification of opinion.



### Consistency report

We anticipate concluding that the Pension Fund financial statements within the Pension Fund's Annual Report are consistent with the Pension Fund financial statements within the Statement of Accounts of London Borough of Harrow Council. Our draft consistency report is provided in Appendix C.



### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Fund and to consider any objection made to the accounts. No such correspondence from electors has been received.

Executive summary

Status of audit

Audit approach

Significant findings

Internal control recommendations

Summary of misstatements

Appendices

# 02




Section 02:




**Status of the audit**

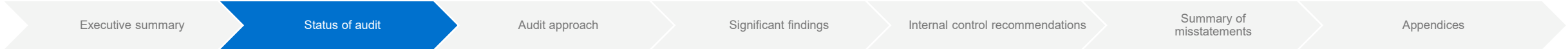
305

# 2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Assurance provided for London Borough of Harrow audit		Completion of specific pension fund testing in areas that we provide assurance in respect of the London Borough of Harrow audit.
Closure procedures and review		Our final reviews and completion work needs to be performed, including consideration of post balance sheet events until the date of sign-off.
Review of Annual Report		Our review of the content of the detailed Pension Annual report to confirm consistency with the financial statements has yet to be completed.

-  Likely to result in material adjustment or significant change to disclosures within the financial statements.
-  Potential to result in material adjustment or significant change to disclosures within the financial statements.
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements.



# 03

## Section 03: **Audit approach**

323



# 3. Audit approach

## Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in July 2021. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

Our provisional materiality at the planning stage of the audit was set at £14.5m using a benchmark of 1.5% of net assets available to pay benefits. We set a provisional specific materiality for the fund account of £3.6m at the planning stage of the audit using a benchmark of 10% of benefits payable.

Our final assessment of materiality, based on the final financial statements and qualitative factors was set using and amended benchmark of 1.0% but no change to specific materiality benchmark was:

- Statement materiality £9.7m.
- Fund account specific materiality £3.5m.

## Use of experts

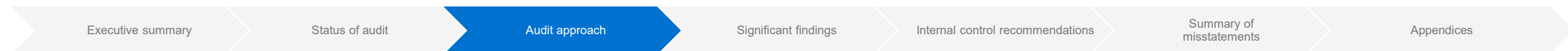
Management makes use of experts in specific areas when preparing the Pension Fund's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management's expert	Our expert
Disclosure notes on funding arrangements and actuarial present value of promised retirement benefits	Hymans Robertson	NAO consulting actuary, PwC
Valuation of investments within level 3 of the fair value hierarchy and related disclosures	Investment managers engaged by the fund that prepare valuations	We have not engaged our own expert for the valuation of level 3 investments to support the valuation of unusual or complex level 3 investments.

## Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Pension Fund that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Pension Fund and our planned audit approach.

Items of account	Service organisation	Audit approach
The calculation and payment of pension benefits, assessment of funding levels based on existing pensioner data.	Harrow Council	We will seek appropriate confirmation that the Council's controls and procedures have operated as designed throughout the year and that no weaknesses have been identified that would have a material impact on the information provided by the Pension Fund to fund managers.
Investment valuations and income and all related disclosures	Investment managers	Obtain direct confirmations from the fund managers and substantively test transactions occurring in the year and the valuations applied to investments at the year end.
Investment valuations and income and all related disclosures	Custodian	Obtain direct confirmations from the fund managers and substantively test transactions occurring in the year and the valuations applied to investments at the year end.



# 04

## Section 04: **Significant findings**

(34)

# 4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

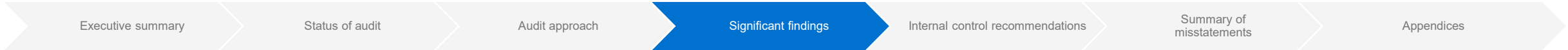
- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 13 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit; and

modifications required to our audit report

1951

## Significant risks

Management override of controls	Description of the risk
	In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	<p><b>How we addressed this risk</b></p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> <li>• Accounting estimates impacting amounts included in the financial statements;</li> <li>• Consideration of identified significant transactions outside the normal course of business; and</li> <li>• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.</li> </ul>
	<p><b>Audit conclusion</b></p> <p>We have no significant findings to report as a result of our work on areas subject to potential management override of controls.</p>

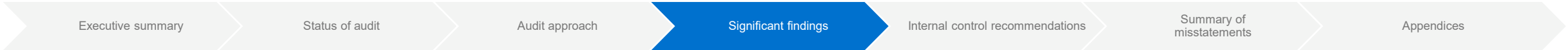


## 4. Significant findings

362

Valuation of unquoted investments	Description of the risk
	<p>As at 31 March 2021, the Pension Fund held investments which were not quoted on an active market with a fair value of £68.550 million, accounting for 7.1% of the Fund's net investment assets.</p> <p>Inherently these assets are harder to value, as they do not have publicly available quoted prices from a traded market, and as such they require professional judgement or assumptions to be made when valuing them at year end.</p> <p>As the pricing of these investment assets is subject to judgements, they may be susceptible to pricing variances due to the assumptions underlying the valuation. We therefore consider that there is an increased risk of material misstatement.</p>
	<p><b>How we addressed this risk</b></p> <p>We addressed this risk by completing the following additional procedures:</p> <ul style="list-style-type: none"> <li>• agreeing holdings from fund manager reports to the custodian's report;</li> <li>• agreeing the valuation to supporting documentation including investment manager valuation statements and cash-flows for any adjustments made to the investment manager valuation;</li> <li>• agreeing the investment manager valuation to audited accounts or other independent supporting documentation, where available; and</li> <li>• where audited accounts are available, check that they are supported by a clear opinion.</li> </ul>

Valuation of unquoted investments	Audit conclusion
	<p>No significant matters arising.</p> <p>The Pension Fund intends to include a disclosure of material valuation uncertainty in note 5 to the financial statements with regard to pooled property fund valuations totalling £61.7m, in light of the continued impact of the Covid-19 pandemic have had a 'material valuation uncertainty' attached to their 31 March 2021 valuation. This is material to the Pension Fund.</p> <p>We consider this to be fundamental to the users' understanding of the financial statements and as such we intend to include an 'Emphasis of Matter' paragraph in respect of this disclosure within our auditors report set out in Appendix B. This is not a modification of opinion.</p>



# 4. Significant findings

## Qualitative aspects of the Fund's accounting practices

We have reviewed the Fund's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Fund's circumstances.

Draft accounts were received from the Fund on 14 July 2021 and were of a good quality. Supporting working papers were provided with the accounts and were also of a good quality.

## Significant matters discussed with management

Examples of significant matters include:

- Investment Valuations. We discussed the impact of Covid-19 on the Pension Fund, including potential impact on risks of material misstatement. This included obtaining confirmation that investment valuations received were based as at 31 March 2021 and not based on estimates. All valuations were appropriately dated for 31 March 2021. Where estimates have been applied, we have requested further information surrounding controls in place at fund managers in order to assess the reasonableness of such estimates.
- Uncertainty of property valuations. We discussed management's assessment of their specific pooled property investment funds whose valuation at 31 March 2021 included a material valuation uncertainty clause due to Covid-19. The pension fund have previously accounted for the property fund investment as level 3 and therefore no reclassification was required.

## Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

## Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

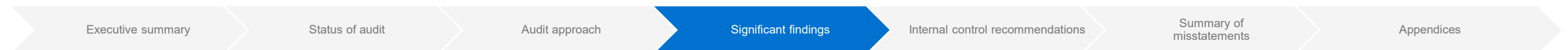
We have not exercised any of these powers as part of our 2020/21 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

## Modifications required to our audit report

We have identified the following issue(s) which has/have resulted in us proposing to issue a modified audit opinion. Our draft audit report, in full, is set out in Appendix B.

As described within our response to the significant risk surrounding the valuation of the council's unquoted investments surrounding pooled property funds, our draft auditor's report set out in Appendix B includes an 'Emphasis of Matter' paragraph with respect to the disclosure of material valuation uncertainties. Our opinion on the financial statements is not qualified in respect of these matters.



# 05

## Section 05: Internal control recommendations

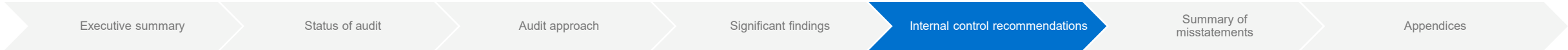
1831

# 5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

We have not identified any deficiencies that would give rise to further recommendations.



# 06

Section 06:

## Summary of misstatements

1405



# 6. Summary of misstatements

## Adjusted and unadjusted misstatements

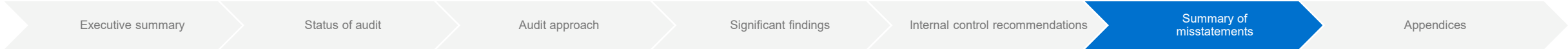
During the audit we have not identified any unadjusted or adjusted misstatements above the triviality threshold of £290k.

## Disclosure amendments

The following disclosure amendments were made:

- General: A number of minor presentational and typographical changes made to the financial statements that do not require individual analysis.
- Disclosure of AVC's: The authority originally included a 31/3/20 valuation with the disclosure note explaining that a more recent valuation wasn't available. This has since been updated in the accounts as more up to date valuation information has become available.

247



# Appendices

A: Draft management representation letter

**423** Draft audit report

C: Draft consistency report

D: Independence

E: Other communications

# Appendix A: Draft management representation letter

Mazars LLP  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

Dear Lucy

## London Borough of Harrow Pension Fund - audit for year ended 31 March 2021

This representation letter is provided in connection with your audit of the financial statements of London Borough of Harrow Pension Fund ('the Fund') for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

### My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

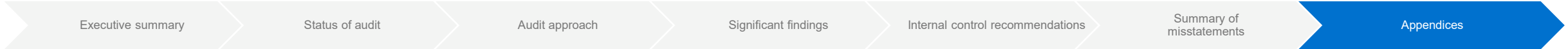
### My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Fund you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance and Assurance that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.



# Appendix A: Draft management representation letter

### Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Fund and committee meetings, have been made available to you.

### Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Fund's financial position, financial performance and cash flows.

### Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Fund in making accounting estimates are reasonable, including:

- those measured at current or fair value

### Contingencies

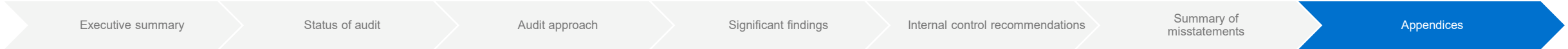
There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Fund have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.



# Appendix A: Draft management representation letter

### Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Fund has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

### Fraud and error

I acknowledge my responsibility as Director of Finance and Assurance for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- All the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- All knowledge of fraud or suspected fraud affecting the Fund involving:
  - o management and those charged with governance;
  - o employees who have significant roles in internal control; and
  - o others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by employees, former employees, analysts, regulators or others

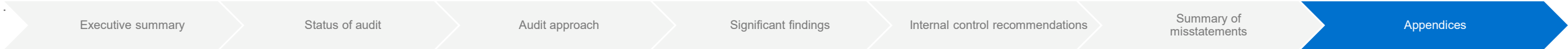
### Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which I am aware.

### Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.



# Appendix A: Draft management representation letter

**Future commitments**

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

**Unadjusted misstatements**

I confirm that there were no uncorrected misstatements.

**Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

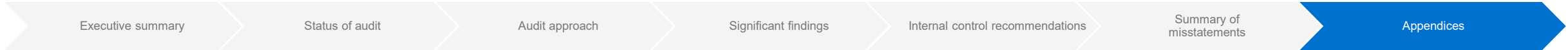
Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

**Going concern**

1462 The best of my knowledge there is nothing to indicate that the Fund will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Yours sincerely

Dawn Calvert  
Director of Finance and Assurance, Section 151 Officer  
Date



# Appendix B: Draft audit report

## Draft Independent auditor’s report to the members of the London Borough of Harrow Pension Fund

### Report on the financial statements

#### Opinion on the financial statements of the Harrow Pension Fund

We have audited the financial statements of Harrow Pension Fund (‘the Pension Fund’) for the year ended 31 March 2021, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of Lincolnshire Pension Fund during the year ended 31 March 2021, and the amount and disposition of the Pension Fund’s assets and liabilities as at 31 March 2021; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities section of our report. We are independent of the Council, as administering authority for the Pension Fund, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

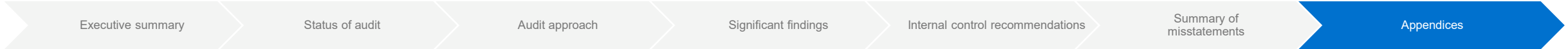
#### Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of pooled property fund assets

We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Pension Fund’s pooled property fund assets as at 31 March 2021. As disclosed at Note 5, these valuations have been reported by the valuers on the basis of ‘material valuation uncertainty’ in line with guidance from the Royal Institute of Chartered Surveyors (RICS). Our opinion is not modified in respect of this matter.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance and Assurance’s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or



# Appendix B: Draft audit report

- the Director of Finance and Assurance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Pension Fund’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The Director of Finance and Assurance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

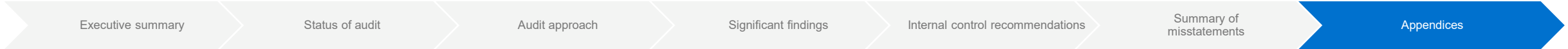
### Responsibilities of the Director of Finance and Assurance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Finance and Assurance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund’s financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Director of Finance and Assurance is also responsible for such internal control as the Director of Finance and Assurance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance and Assurance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Director of Finance and Assurance is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare the accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund’s financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.





# Appendix B: Draft audit report

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor’s report.

## Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

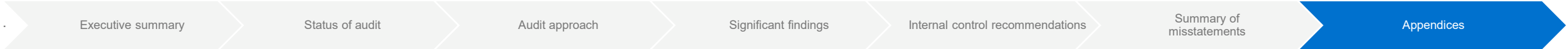
## 49 of the audit report

This report is made solely to the members of the London Borough of Harrow, as a body and as administering authority for the Harrow Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Lucy Nutley  
For and on behalf of Mazars LLP

Tower Bridge House  
St Katharine’s Way  
London  
E1W 1DD

Date



# Appendix C: Draft consistency report

## Independent auditor’s statement to the members of London Borough Of Harrow on the pension fund financial statements included within the London Borough Of Harrow Pension Fund annual report

### Report on the financial statements

We have examined the Pension Fund financial statements for the year ended 31 March 2021 included within the London Borough of Harrow Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement and the notes to the financial statements, including the summary of significant accounting policies.

### Opinion

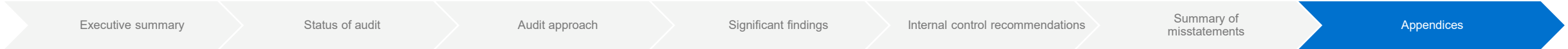
In our opinion, the Pension Fund financial statements are consistent with the audited financial statements of the London Borough of Harrow for the year ended 31 March 2021 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

### Respective responsibilities of the Director of Finance and Assurance and the auditor

As explained more fully in the Statement of the Director of Finance and Assurance’s Responsibilities, the Director of Finance and Assurance is responsible for the preparation of the Pension Fund’s financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to the Members of London Borough of Harrow as a body, whether the Pension Fund financial statements within the Pension Fund annual report are consistent with the financial statements of London Borough of Harrow.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the Pension Fund financial statements contained within the audited financial statements of London Borough of Harrow describes the basis of our opinions on the financial statements.



# Appendix C: Draft consistency report

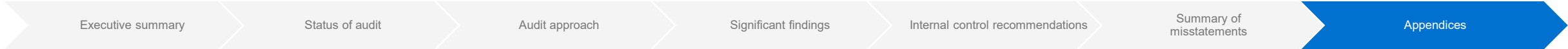
## Use of this auditor's statement

This report is made solely to the members of London Borough of Harrow , as a body and as administering authority for the London Borough of Harrow Pension Fund, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of London Borough of Harrow those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than London Borough of Harrow and London Borough of Harrow's members as a body, for our audit work, for this statement, or for the opinions we have formed.

Lucy Nutley  
For and on behalf of Mazars LLP

517  
Mar Bridge House  
Catharine's Way  
London  
E1W 1DD

Date

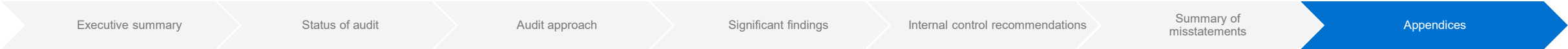


# Appendix D: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

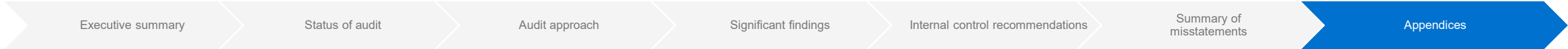
523



# Appendix E: Other communications

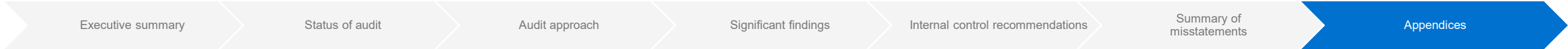
Other communication	Response
<b>Compliance with Laws and Regulations</b>	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.
<b>External confirmations</b>	We did not experience any issues with respect to obtaining external confirmations.
<b>Related parties</b>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> <li>a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and</li> <li>b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.</li> </ul>
<b>Going Concern</b>	<p>We have not identified any evidence to cause us to disagree with the Director of Finance and Assurancer that The London Borough of Harrow Pension Fund will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>
<b>Subsequent events</b>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>

539



# Appendix E: Other communications

Other communication	Response
<p><b>Matters related to fraud</b></p> <p>(54)</p>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and Governance, Audit, Risk management and Standards committee, confirming that</p> <ul style="list-style-type: none"> <li>a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;</li> <li>b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud;</li> <li>c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:               <ul style="list-style-type: none"> <li>i. Management;</li> <li>ii. Employees who have significant roles in internal control; or</li> <li>iii. Others where the fraud could have a material effect on the financial statements; and</li> </ul> </li> <li>d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.</li> </ul>



## Mazars

Tower Bridge House  
St Katharine's Way

London  
E3 5JY

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.

This page is intentionally left blank





**Report for: Pension Board**

---

<b>Date of Meeting:</b>	16 December 2021
<b>Subject:</b>	Review of Fund Policies
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	Not applicable
<b>Enclosures:</b>	Appendix 1 – Draft Conflicts of Interest Policy; Appendix 2 – Draft Breaches Policy

**Section 1 – Summary and Recommendations**

---

This report brings two Fund Policies for review as part of the steps required to ensure that the Fund is ready for the implementation of the Good Governance Review in 2022.

**Recommendations:**

The Board is recommended to:

1. Note the report; and
2. Consider and make recommendations to the Pension Fund Committee in respect of:
  - a) the Conflicts of Interest Policy and
  - b) the Breaches policy.

## **Section 2 – Report**

1. The LGPS “Good Governance Review” began in 2019. Its implementation was delayed by the Covid-19 pandemic, but earlier in 2021 the LGPS Scheme Advisory Board (SAB) published a Phase 3 Report – this is now with the Government (DLUHC) for implementation. Before the Pension Fund Committee’s meeting on 24<sup>th</sup> June 2021, Ian Colvin of Hymans Robertson (who as well as being the Harrow Fund’s actuaries, also advised the SAB during the Review). In that session the Committee was advised of the key issues arising from the Review.
2. At its meeting on 13<sup>th</sup> September 2021, the Committee considered and approved the proposed approach to ensuring that Harrow is ready for the Review’s implementation in 2022. It approved the recommended approach that the Pension Board be asked to review the drafts and comment / make recommendations to the Committee regarding the adoption of the policies.
3. Attached to this report are two draft policies for consideration and comment, as follows:
  - Conflicts of Interest – Appendix 1
  - Breaches – Appendix 2
4. As previously agreed, these are based upon template policies produced by Hymans Robertson, and incorporating specific good practice as appropriate from other LGPS Funds. A brief summary of each is included below.

### **Conflicts of Interest Policy**

5. This Policy sets out the definitions of a conflict of interest, the situations where conflicts may arise and the principles which will be applied in managing those appropriately.
6. Clearly the largest potential conflict arises because of the Council’s dual role as the administering authority for the LBH Pension Fund, and as the local authority for the area. This is common for most LGPS administering authorities, and the relevant officers are aware of this and act appropriately.

### **Breaches Policy**

7. This policy sets out the approach to recording and managing breaches of the law, the LGPS Regulations or the Pension Regulator’s Code of Practice.
8. A key aspect of the process is the assessment of whether or not the breach is a material one which requires reporting to the Regulator rather than simply recording internally. As an example, if an employer was one or two days late in submitting data on a one-off occasion and had notified LBH of the delay and the reasons for it, this would not be considered material and would simply be recorded in the breaches log. By contrast, if the delay continued for an extended period, the employer failed to respond to enquiries and the delay impacted on a key task such as the issue of annual benefit statements this could be considered material and require onward reporting.

## **Next steps**

9. As indicated at the Board's last meeting, further policies will be brought to the Board's next meeting in March 2022 as follows:

- Administration Strategy
- Training strategy
- Representations Policy
- Fund Discretions Policy

The Board will be asked to comment on these and make recommendations as appropriate to the Pension Fund Committee.

## **Legal Implications**

10. There are no direct legal implications arising from this report.

11. The terms of reference for the Board include assisting the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme.

## **Financial Implications**

12. Whilst the financial health of the Pension Fund directly affects the level of employer contribution which, in turn, affects the resources available for the Council's priorities there are no impacts arising directly from this report.

## **Risk Management Implications**

13. The Pension Fund's Risk Register is reviewed regularly by both this Pension Fund Committee and by the Board. The next review is elsewhere on the agenda for this meeting.

14. There are no specific risk management implications arising from this report. The level of risk to which its investments are exposed is a key component in developing the Fund's investment strategy.

## **Equalities implications / Public Sector Equality Duty**

15. Was an Equality Impact Assessment carried out? **No**  
There are no direct equalities implications arising from this report.

## **Council Priorities**

16. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

## **Section 3 - Statutory Officer Clearance**

**Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 7/12/2021**

**Statutory Officer: Sharon Clarke**

Signed on behalf of the Monitoring Officer

**Date: 2/12/2021**

**Chief Officer: Dawn Calvert**

Signed on behalf of the Corporate Director

**Date: 7/12/2021**

## **Mandatory Checks**

**Ward Councillors notified:** Not applicable

## **Section 4 - Contact Details and Background Papers**

**Contact:** Jeremy Randall – Interim Pensions Manager

Email: [Jeremy.randall@harrow.gov.uk](mailto:Jeremy.randall@harrow.gov.uk)

Telephone 020 8736 6552

**Background Papers:** None

# Draft Conflicts of Interest Policy

**London Borough of Harrow Pension Fund**

**December 2021**

## **1 Background**

- 1.1 This policy sets out how the London Borough of Harrow (the “Council”) will identify, manage and mitigate potential conflicts of interest that may arise in carrying out its role as the administering authority for the London Borough of Harrow Pension Fund (the “Fund”).
- 1.2 The Council recognises that its dual role as both an employer participating in the Fund and the body legally tasked with its management can produce the potential for conflicts of interest. Furthermore, those individuals involved in managing, overseeing or advising the Fund may, from time to time, find that they face competing incentives, financial or otherwise, as a result of their professional or personal circumstances.
- 1.3 It is important, therefore, that these potential conflicts are managed in order to ensure that no actual or perceived conflict of interest arises and that all the Fund’s employers, scheme members and beneficiaries are treated fairly and equitably.

## **2 Objectives**

- 2.1 To ensure that those involved in the operation of the Fund fulfil their duties under public law to act solely in the interests of The Fund’s employers and scheme members.
- 2.2 To provide confidence to scheme members, employers, regulators or any other interested parties that those responsible for the Fund are fully committed to identifying, managing and monitoring conflicts of interest.
- 2.3 To minimise the risk to the Fund that conflicts of interest arise that prejudice good decision making or any other aspect of the good management of the Fund.
- 2.4 To promote openness, transparency and a commitment to the Seven Principles of Public Life in all aspects of the Fund’s business.

## **3 Application of this policy**

- 3.1 This policy applies to all members of the London Borough of Harrow Pension Fund Committee, the local Pension Board, Section 151 officer, officers who carry out functions on behalf of the Pension Fund Committee and any third parties providing advice or services to the Fund.
- 3.2 Every individual covered by this policy must take individual responsibility for the management of potential conflicts of interest.
- 3.3 The Treasury and Pensions Manager will be responsible for ensuring that this policy is adhered to and that any processes for managing conflicts of interest are followed.

- 3.4 In any situation where the Treasury and Pensions Manager may have a potential or actual conflict of interest, the responsibility for ensuring that this policy is adhered to and that any relevant processes are followed shall lie with the monitoring officer for the Council.

## 4 Defining Conflicts of Interest

- 4.1 The Fund has adopted the definition of conflict of interest defined in The Public Service Pensions Act 2013<sup>1</sup>;

*“conflict of interest” , in relation to a person, means a financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).*

- 4.2 In addition to this policy there are other legal requirements which are also relevant to the Fund's management of conflicts of interest, these include;

- Regulation 108 of The LGPS Regulations 2013, which places duties on the Council, as the administering authority to the Fund, to be satisfied that Local Pension Board members do not have conflicts of interest on appointment to, or whilst a member of, the Board.
- The Localism Act 2011<sup>2</sup> requires elected members to comply with their own authority's code of conduct and to declare pecuniary interest and interests other than pecuniary interests.
- The 'Seven Principles of Public Life', also known as the 'Nolan Principles', with which any holder of public office is also expected to comply. These are;

**Selflessness** - Holders of public office should act solely in terms of the public interest.

**Integrity** - Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

**Objectivity** - Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

**Accountability** - Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

---

<sup>1</sup> Section 5(5)

<sup>2</sup> Chapter 7

**Openness** - Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

**Honesty** - Holders of public office should be truthful.

**Leadership** - Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

## **5 Managing conflicts of interest**

5.1 The Council recognises that its dual role as both an employer participating in the Fund and the body legally tasked with its management can produce the potential for conflicts of interest to arise in certain areas. It is important that these potential conflicts are managed in order to ensure that no actual or perceived conflict of interest arises and that all the Fund's employers and scheme members are treated fairly and equitably

5.2 These areas are considered in more detail below.

### **Contribution setting for employers**

5.2.1 The setting of employer contribution rates must be done in a way that is fair and transparent. No employer or individual should be in the position to unduly influence the contribution setting process

5.2.2. The Fund achieves this in the following way:

- The Funding Strategy Statement sets out the Fund's approach to all funding related matters including the setting of contribution rates. This policy is set with regard to the advice of the Fund Actuary and is opened to consultation with all Fund employers before being formally adopted by the Pension Committee. The approach to contribution setting is based on specific employer characteristics such as its time horizon, strength of covenant and risk profile. This approach ensures consistency across all employers and removes the possibility of any employer receiving more, or less, favourable treatment.

### **Delivering the LGPS function for all employers**

5.2.3 All employers within the Fund are entitled to receive the same high-quality service and support from the Fund. Equally, the expectation on employers in respect of their obligations under the LGPS are the same for all employers. There should no perception that the Council receives more favourable terms with regards to the service received from, or the obligations expected to, the Fund.



5.2.4 The Fund's administration strategy will set out the way in which the Fund works with its employers and the mutual service standards expected. The strategy details how the Fund will assist employers to ensure that they are best placed to meet their statutory LGPS obligations. On occasions where an employer's failure to comply with required processes and standards has led to the Fund incurring additional cost, the policy also provides for that cost to be recovered from the employer in question. This strategy will be opened to consultation with all the Fund's employers and is operated in a consistent fashion across all the employer base

5.2.5 The pension fund is run for the benefit of its members and on behalf of all its employers. It is important therefore that the Fund's budget is set and managed separately from the expenditure of the Council. Decisions regarding pension fund resource are approved by the Pension Committee on recommendation from the S151 officer.

### **Investment decisions**

5.3 The primary investment objective of the Fund is to ensure that over the long term there will be sufficient assets to meet all pension liabilities as they fall due. Investment decision have an impact on all employers within the Fund and so should reflect the long-term requirements of the Fund.

5.3.1 The Investment Strategy Statement sets out how the Fund's money will be invested in order to meet future liabilities and contains the Fund's investment objectives and the asset classes in which it will invest. It also contains the Fund's approach to assessing environmental, social and governance risks and how it will act as a responsible asset owner with regard to engagement and voting shares for companies in which it is invested. The Statement also explains the Fund's approach to investments which deliver a social impact as well as a purely financial return.

5.3.2 The Investment Strategy Statement is a statement of the beliefs, objectives and strategies pertaining to pension fund investments and is separate to and distinct from any policies that apply to the Council. For example, the Council may have particular strategies regarding tobacco investment as a consequence of its public health duties. This should remain distinct from the Fund's investment strategy, as set by the Pension Committee and which is operated on behalf of all Fund employers. A similar situation arises in respect of the Council's policy regarding matters such as investment in local housing or other infrastructure within the local authority area, which remain distinct from the policies and strategies of the Pension Fund.

5.3.3 From time to time the Council may pursue certain climate related goals, for example a commitment to being carbon neutral by a certain date. Actions taken in pursuit of these goals may impact on members and employees of the Council in certain ways, for example members and staff may be required to pursue low carbon travel options when travelling on Council business. Where this is the case, members and employees carrying out work related to the management of the Fund will be subject to the same policies as all other Council members or staff, insofar as they reflect operational matters. However, decisions in respect of Fund investments are made by the Pension Fund Committee on behalf of all employers in the Fund and as such will follow separate and distinct policies and strategies.

5.3.4 All investment decisions are taken in accordance with the Investment Strategy Statement, following appropriate professional advice. No person with a conflict of interest relating to a particular investment decision may take part in that decision.

### **Standards and behaviours**

5.4 It is important that those managing the Fund adhere to the highest standards of public office.

5.5 The Council's Code of Conduct for Members applies to all members or voting co-opted members of the Council. In addition, the code has been adopted to apply to all members of the Pension Committee and Local Pension Board. The policy sets out the Council's approach to

- Standards of behaviour
- Registration of members' interests
- Disclosable pecuniary interests
- Sensitive interests
- Gifts and hospitality

### **Pooling**

5.6 The Council is one of 32 equal shareholders in the London LGPS CIV Ltd ("LCIV"). The shareholders, as LGPS administering authorities, also purchase investment management services from LCIV. The nature of this relationship has the potential to lead to conflicts of interest that must be managed. The following mechanisms are in place.

- 5.7 The interests of the shareholders of LCIV and those of any specific administering authority may not always be aligned. In order to ensure that the interests of the shareholders and of those procuring services from LCIV are both protected it is important that there is appropriate separation between the two functions. To achieve this the shareholder representative (who is also the Chair of the Pension Fund Committee) receives appropriate professional advice on any matters on the agenda for the shareholders' meeting where a conflict may arise.
- 5.8 London CIV maintains policies and procedures that mitigate the risks of perceived, potential and actual conflicts, which are summarised below;
- Ensuring all staff discuss any foreseen potential conflict of interest from voting or engagement with their line manager and report to the Compliance and Risk Team
  - Any potential conflicts arising over LCIV's approach to voting or engagement are discussed with the Chief Investment Officer ("CIO") and reported to the Compliance and Risk Team
  - Split voting in exceptional circumstances in the event of a potential conflict
  - The Investment Oversight Committee ("IOC") review voting decisions and engagement activities on a regular basis
  - Allowing any unforeseen conflicts of interests to follow an escalation procedure involving the CIO.
- 5.9 It is important that no administering authority has undue influence on decisions made by LCIV, and the LCIV's governance structure ensures that the LCIV may not favour of any individual or group of funds over the rest.
- 5.10 Given the nature of the LGPS the likelihood exists that individuals with particular skills may move from employment with an administering authority to LCIV or the other way around. This is perfectly appropriate, and the transfer of knowledge can be beneficial to all parties. However, it is important that there is no suggestion that any individual is in a position to influence unduly the recruitment or remuneration setting processes. This is managed by ensuring that all recruitment to LCIV and to the constituent funds is carried out through a robust, open, competitive recruitment process involving HR professionals.

### **Third parties**

- 5.11 The Fund requires its professional advisors, suppliers and any other third-party providing advice or services to have in place conflict management plans which set out how those firms will;
- declare any potential conflict of interest that exists on appointment;
  - communicate with the Council on any conflicts of interest that arise during the course of the contact;
  - put in place processes that will manage those conflicts;

## **6 How conflicts of interest will be managed**

In addition to the framework of policies set out in section 5, the Council will manage conflicts of interest in the following way;

### **6.1 Declarations of interest on appointment**

On appointment to the Pension Fund Committee, local Pension Board or to a role in the Finance Treasury and Pensions Team, or at the date of commencement of this policy if later, all individuals will be provided with a copy of this policy and be required to complete a declaration of interest form. This information will be collated in the Fund's register of interests.

Advisers and service providers will be provided with a copy of this policy on appointment, or at the date of commencement of this policy if later. Advisers and service providers must declare any commercial or personal relationships which may result in conflicts of interest arising or which may give the perception that a conflict of interest exists or may do so in future.

### **6.2 Continued monitoring of potential conflicts of interest**

Any individual covered by this policy must declare, at the earliest opportunity, if their circumstances change in such a way that a new potential or actual conflict of interest arises, or if a former conflict ceases to apply. The register of interests will be updated accordingly.

If any individual covered by this policy becomes aware that a pension committee meeting, local pension board meeting or any other meeting concerning matters relating to the Fund will contain an item that places them in a conflicted position they must advise the Chair of the meeting and Treasury and Pensions Manager. The Treasury and Pensions Manager, taking such advice as they consider appropriate will be responsible for determining the action to be taken.

From time to time a conflict of interest may arise during a meeting which was not anticipated prior to the meeting. In such cases the individual to whom the conflict pertains should advise the clerk and make an immediate declaration. Any other person may make the clerk aware if they believe an individual participating in the meeting has a conflict of interest. The clerk of the meeting and the Chair, taking such advice as they consider appropriate will be responsible for determining the action to be taken.

### **6.3 Managing conflicts of interest**

The options for managing a conflict are as follows;

- The individual is excluded from the meeting for the period during which the item pertaining to the potential or actual conflict of interest is discussed. If the item is one in which papers are not made public under Part I of Schedule 12A of the Local Government Act 1972 then the member will not have access to those papers, or minutes relating to that item.
- If the item is one at which members of the public are allowed to speak, the individual may also speak having first declared their interest. The individual must not take any further part in that agenda item including the decision-making process.

- If the Director of Finance and Assurance, having taken advice that they consider appropriate, believes that an individual has a significant or persistent conflict of interest, such that it is impossible or impractical to manage and undermines their ability to carry out their role, the individual may be removed from their position.

This page is intentionally left blank

# **Draft Breaches Policy**

**London Borough of Harrow Pension Fund**

December 2021

## Background

1. The London Borough of Harrow Pension Fund (“the Fund”) has prepared this document in setting out its policy and procedures on identifying, managing and where necessary reporting breaches of the law as covered in paragraphs 241 to 275 of the Pensions Regulator’s Code of Practice no 14: Governance and administration of public service pension schemes (“the Code of Practice”).
2. This policy sets out the responsibility of elected members, officers of The London Borough of Harrow Council (“the Council”), and the London Borough of Harrow Pension Fund local Pension Board in identifying, managing and where necessary reporting breaches of the law as they apply to the management and administration of the Fund. This policy does not cover the responsibility of other “reporters” (described later in this policy) in relation to their obligation to report breaches in accordance with the Code of Practice where they relate to the management and administration of the Fund. Where a breach of the law is identified all parties will take the necessary steps to consider the breach and report to the Regulator, rather than having the breach solely reported by any of the other “reporters”.
3. This policy will be reviewed and approved by the Pension Fund Committee at least annually. The Council will monitor all breaches and will ensure that adequate resources are allocated to managing and administering this process
4. The monitoring officer for the Council will be responsible for the management and execution of this breaches policy.
5. The Director of Finance and Assurance will ensure that training on breaches of the law and this policy is conducted for all relevant officers and elected members, as well as members of the local pension board at induction and on an ongoing basis.

## Overview

6. The identification, management and reporting of breaches is important. It is a requirement of the Code of Practice; failure to report a material breach is a civil offence that can result in civil penalties.
7. At the same time, in addition to identifying, rectifying and where necessary reporting a particular breach, such breaches provide an opportunity to learn from mistakes and review and improve processes in the areas where the breach occurred.
8. All staff involved in the administration and management of the Fund are expected, indeed required, to take a pro-active approach to the identification, management and reporting of all breaches that have occurred, or are likely to occur.
9. The Council, as the administering authority (scheme manager) for the London Borough of Harrow Pension Fund, will maintain a log of all breaches of the law as applicable to the management and administration of the Fund.
10. Where a breach has occurred, it should be identified and logged as either an area of non-compliance under the LGPS Regulations, a breach under Pension Law as defined



within section 13 of the 2004 Pension Act, or of the Pension Regulator's Code of Practice 14.

11. The Council, officers and the local Pension Board cannot rely on waiting for other reporters to report a breach where it has occurred. Where a breach has occurred and has been identified by the Council, officers or local Pension Board it should be recorded, assessed and where necessary reported as soon as reasonably practicable.

### **What is a breach of the law?**

12. A breach of the law is "*an act of breaking or failing to observe a law, agreement, or code of conduct.*" In the context of the Local Government Pension Scheme ("LGPS") it can encompass many aspects of the management and administration of the scheme, including, for example, failure:

- to do anything required under the LGPS Regulations;
- to do anything required under overriding legislation, applicable statutory guidance or codes of practice;
- to maintain accurate records;
- to act on any fraudulent act or omission that is identified;
- of an employer to pay over member and employer contributions on time;
- to pay member benefits either accurately or in a timely manner;
- to issue annual benefit statements on time.

### **What is non-compliance under the LGPS Regulations?**

13. Non-compliance with the LGPS regulations can cover many aspects of the management and administration of the scheme, including failure:

- to do anything required under the LGPS Regulations
- to comply with policies and procedures (e.g. the Fund's Investment Strategy Statement, Funding Strategy Statement, discretionary policies, etc.);

### **Responsibilities in relation to breaches**

14. Responsibility to report identified breaches of the law in relation to the Code of Practice falls on the following (known as "reporters"):

- Elected members and officers of the Council (the Scheme Manager);
- Members of the local Pension Board;
- Scheme employers;
- Professional advisers (including the Fund actuary, benefit consultant, investment advisers, legal advisers); and
- Third party providers (where so employed).

15. This policy applies only to elected members and officers of the Council, and members of the local Pension Board. It is for the other reporters to ensure adequate procedures

and policies are put in place in order to identify, assess and where necessary report breaches. Both the Council and the local Pension Board will take all necessary steps to consider the breach and report to the Regulator, rather than having the breach solely reported by any of the other “reporters”.

### **Requirement to report a breach of the Law**

16. Breaches of the law which affect pension schemes should be considered for reporting to The Pensions Regulator.
17. The decision whether to report an identified breach depends on whether:
  - there is reasonable cause to believe there has been a breach of the law;
  - and if so, is the breach likely to be of material significance to the Regulator?
18. It is important to understand that not every breach that is identified needs to be reported to the Regulator. For example, where it can be demonstrated that appropriate action is being taken to rectify the breach, or the breach has occurred due to teething problems with new or revised systems or processes, it may not be necessary to report the incident to the Regulator. It is still necessary that all incidents of breaches identified are recorded in the Council’s breaches log. This log will be reviewed on an on-going basis to determine any trends in the breaches log that might indicate any serious failings or fraudulent behaviour.
19. Where such failings or fraudulent behaviour are identified immediate action will be taken to agree and put in place a plan of action to rectify the matter and prevent such an occurrence in the future.

### **When is a breach required to be reported to the Regulator?**

20. The Code of Practice requires that a breach should be notified to The Regulator as soon as is reasonably practicable once there is reasonable cause to believe that a breach has occurred and that it is of material significance to The Regulator. In any event, where a breach is considered to be of material significance it must be reported to The Regulator no later than one month after becoming aware of the breach or likely breach.
21. Where it is considered that a breach is of such significance that The Regulator is required to intervene as a matter of urgency (for example, serious fraud) the matter should be brought to the attention of the Regulator immediately (e.g. by calling them direct). A formal report should then be submitted to The Regulator, marked as “urgent” in order to draw The Regulator’s attention to it.

### **Assessing “reasonable cause”**

22. It is important that the Council and the local Pension Board are satisfied that a breach has actually occurred, rather than acting on a suspicion of such an event.

23. It will be necessary, therefore, for robust checks to be made by officers and elected members when acting on any suspicion of a breach having occurred. Where necessary this will involve taking legal advice from the Council's Legal team (who may recommend specialist external legal advice if necessary) as well as other advisers (e.g. auditors or the Fund actuary, benefit consultant or investment advisers).

### **Deciding if a breach is “materially significant” and should be reported to the Regulator**

24. The Regulator has produced a decision tree to assist schemes in identifying the severity of a breach and whether it should then be reported. When determining materiality of any breach or likely breach the Council, officers and local pension board will in all cases consider the following:

- cause – e.g. dishonesty, poor governance, incomplete or inaccurate information, acting or failing to act in contravention of the law;
- effect – does the nature of the breach lead to an increased likelihood of further material breaches. Is it likely to cause, for example; ineffective internal controls, lack of knowledge and understanding, inaccurate records, potential for further breaches occurring;
- reaction – e.g. taking prompt and effective action to resolve a breach, notifying scheme members where appropriate; and
- wider implications – e.g. where a breach has occurred due to lack of knowledge or poor systems and processes making it more likely that other breaches will emerge in the future.

25. The decision tree provides a “traffic light” system of categorising an identified breach:

- **Green** – not caused by dishonesty, poor governance or a deliberate contravention of the law and its effect is not significant and a plan is in place to rectify the situation. In such cases the breach may not be reported to the Regulator, but should be recorded in the Council's breaches log;
- **Amber** – does not fall easily into either green or red and requires further investigation in order to determine what action to take. Consideration of other recorded breaches may also be relevant in determining the most appropriate course of action. The Council will need to decide whether to informally alert The Regulator of the breach or likely breach, formally reporting the breach if it is subsequently decided to categorise the breach as red;
- **Red** - caused by dishonesty, poor governance or a deliberate contravention of the law and having a significant impact, even where a plan is in place to rectify the situation. The Council must report all such breaches to the Regulator in all cases;

26. It should be noted that failure to report a significant breach or likely breach is likely, in itself, to be a significant breach.

27. The Council will use the Regulator's decision tree as a means of identifying whether any breach is to be considered as materially significant and so reported to The Regulator.

28. Any failure of a scheme employer to pass over employee contributions that are considered to be of material significance must be reported to The Regulator immediately.
29. In order to determine whether failure to pay over employee contributions is materially significant or not the Council will seek from the employer:
- the cause and circumstances of the payment failure
  - what action the employer has taken as a result of the payment failure, and
  - the wider implications or impact of the payment failure.
30. Where a payment plan is agreed with the employer to recover outstanding contributions and it is being adhered to or there are circumstances of infrequent one-off late payments or administrative failures the late payment will not be considered to be of material significance.
31. All incidences resulting from the unwillingness or inability of the employer to pay over the employee contributions, dishonesty, fraudulent behaviour or misuse of employee contributions, poor administrative procedures or the failure to pay over employee contributions within 90 days from the due date will be considered to be of material significance and reported to the Regulator.
32. Once a breach or likely breach has been identified, regardless of whether it needs to be reported to The Regulator, the relevant manager, in consultation with the monitoring officer must review the circumstances of the breach in order to understand why it occurred, the consequences of the breach and agree the corrective measures required to prevent re-occurrence, including an action plan where necessary. All breaches must be recorded in the Council's breaches log.
33. The Regulator's decision tree is shown in annex1.

### **Process for reporting breaches**

34. All relevant officers and elected members of the Council, as well as all members of the local pension board have a responsibility to:
- identify and assess the severity of any breach or likely breach;
  - report all breaches or likely breaches to the monitoring officer and the Director of Finance and Assurance;
  - in conjunction with relevant colleagues agree a proposed course of action to rectify the breach and put in place measures to ensure the breach does not re-occur, obtaining appropriate legal or other advice where necessary;
  - ensure that the appropriate corrective action has been taken to rectify the breach or likely breach and to prevent it from recurring; and
  - co-operate with, and assist in, the reporting of breaches and likely breaches to the Pension Fund Committee, local Pension Board and where necessary the Regulator.

## Responsibilities of the responsible officer

35. The Council's monitoring officer will be responsible for the management and execution of this breaches policy.
36. The monitoring officer will be responsible for recording and reporting breaches and likely breaches as follows:
- record all identified breaches and likely breaches of which they are aware in the Council's breaches log;
  - investigate the circumstances of all reported breaches and likely breaches;
  - ensure, where necessary that an action plan is put in place and acted on to correct the identified breach and also ensure further breaches of a similar nature do not reoccur;
  - report to the Pension Fund Committee and local Pension Board:
    - all materially significant breaches or likely breaches that will require reporting to The Regulator as soon as practicable, but no later than one month after becoming aware of the breach or likely breach; and
    - all other breaches at least quarterly as part of the Committee cycle.
  - report all materially significant breaches to The Regulator as soon as practicable but not later than one month after becoming aware of the breach.
37. The monitoring officer will determine whether any breach or likely breach is materially significant, having regard to the guidance set out in the Code of Practice and after consultation with parties they deem appropriate. Such parties might include the Director of Finance and Assurance, the Pension Fund Committee and local Pension Board.
38. If appropriate, the matter will be referred to an external party to obtain any necessary legal or other advice before deciding if the breach is considered to be of material significance to The Regulator. Where uncertainty exists as to the materiality of any identified breach the Council, officers or local pension board will be required to informally notify the Regulator of the issue and the steps being taken to resolve the issue.

## How should a breach be reported to the Regulator?

39. All materially significant breaches must be reported to the Regulator through its online reporting facility called Exchange.

## How are records of breaches maintained?

40. All breaches and likely breaches identified are to be reported to the monitoring officer as soon as they are identified. The monitoring officer will log all breaches on the Council's breaches log, including the following information:
- date the breach or likely breach was identified;
  - name of the scheme;

- name of the employer (where appropriate);
- any relevant dates;
- a description of the breach, its cause and effect, including the reasons it is, or is not, believed to be of material significance;
- whether the breach is considered to be red, amber or green.
- a description of the actions taken to rectify the breach;
- a brief description of any longer term implications and actions required to prevent similar types of breaches recurring in the future.

41. The monitoring officer will be responsible for ensuring the effective management and rectification of any breach identified, including submission of any report to the Regulator. Any documentation supporting the breach will also be retained.

### **Whistleblowing**

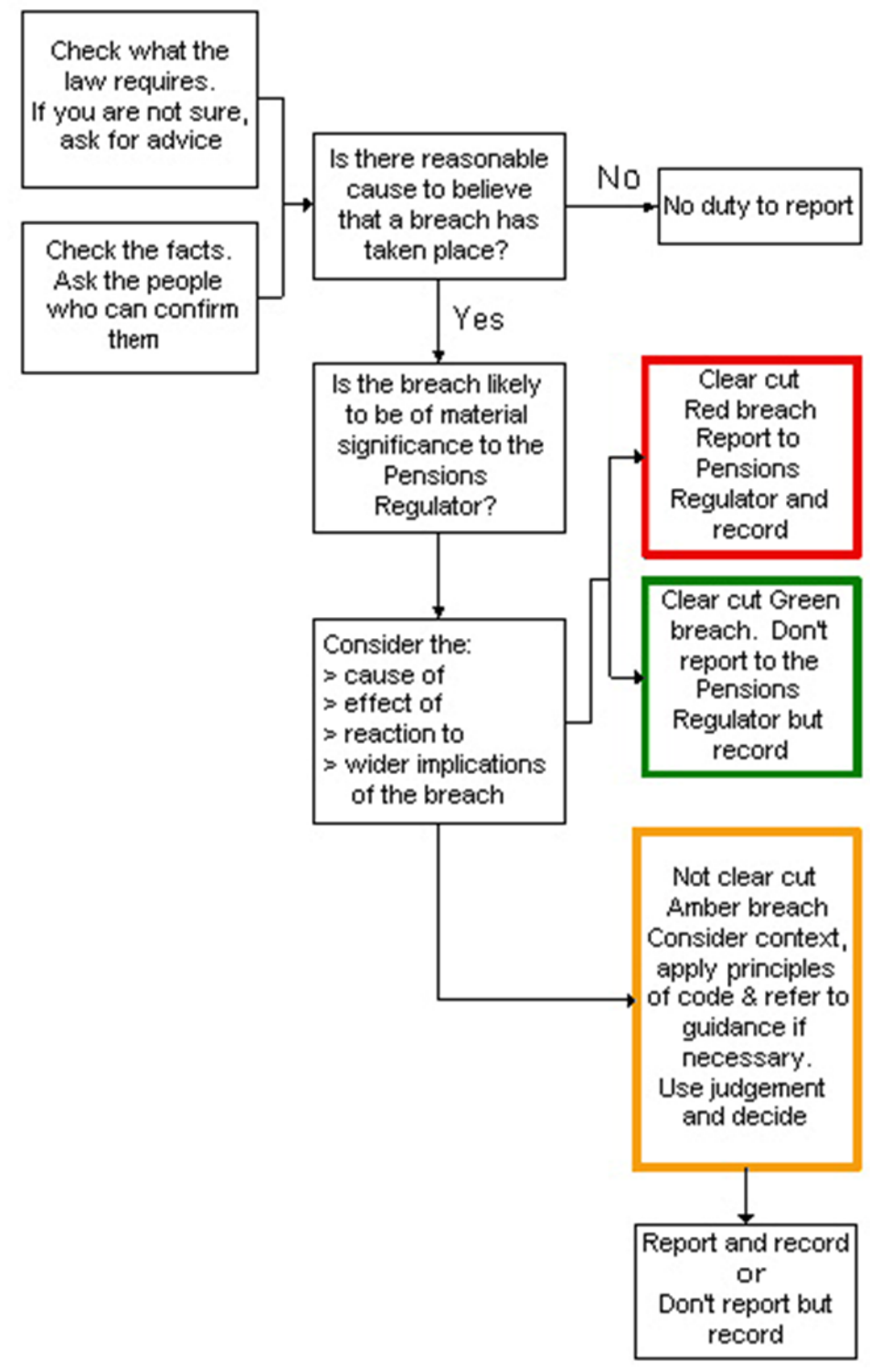
42. It is a statutory duty to report breaches of the law. In rare cases this may involve a duty to whistleblow on the part of an employee of the Council, officers or a member of the local pension board. The duty to report does not override any other duties a “reporter” may have, such as confidentiality. Any such duty is not breached by reporting to The Regulator. Given the statutory duty that exists, in exercising this breaches policy the Council will ensure it adheres to the requirements of the Employment Rights Act 1996 in protecting an employee making a whistleblowing disclosure to the Regulator.

43. The duty to report, however, does not override ‘legal privilege’, so certain oral and written communications between the Council or local pension board and a professional legal adviser do not have to be disclosed if they meet the principles of legal privilege.

### **Training**

44. The Director of Finance and Assurance will ensure that all relevant officers and elected members, as well as members of the local pension board receive appropriate training on this policy at the commencement of their employment or appointment to the local pension board as appropriate and on an ongoing basis.

Pension Regulator's Decision Tree



This page is intentionally left blank





## **Report for: Pension Board**

---

<b>Date of Meeting:</b>	16 December 2021
<b>Subject:</b>	Review of Pension Fund Risk Register
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	Not Applicable
<b>Enclosures:</b>	Appendix 1 - Risk Score Summary; Appendix 2 - Pension Fund Risk Register - Key Risks (Red or Amber rated); Appendix 3 - Pension Fund Risk Register - Lower Risks (Green rated)

### **Section 1 – Summary and Recommendations**

---

This report sets out the updated Pension Fund Risk Register for the Board to review.

#### **Recommendations:**

The Board is requested to consider the updated risk register and comment accordingly.

### **Section 2 – Report**

#### **Background**

1. In accordance with best practice the Pension Fund has a risk register which was first considered by the Pension Fund Committee in March

2015. The risk register has since been reviewed regularly, most recently at the Committee's meeting on 24 June 2021. The Pension Board last reviewed the Risk Register at its meeting on 8 July 2021.

2. In reviewing the existing risk register, officers have followed the Council's standard practice and approach to the scoring of each risk (assessing the likelihood and impact on the Pension Fund) – this is set out at Appendix 1, which also indicates which risk numbers are associated with each risk score.
3. The revised presentation of the risks agreed by the Pension Fund Committee in November 2020 is retained. This highlights in a single list (Appendix 2) the twelve risks whose scores equate to an "Amber" (8 risks) or "Red" rating (4 risks). It is these risks which are likely to have the biggest impact on the Fund and hence require particularly close attention.
4. Those risks which are considered lower and whose current scores equate to a "green" rating" (24 Risks) are shown in appendix 3. As agreed at the last meeting, those risks which are really "business as usual" activity and managed operationally on a day to day basis have been removed from the risk register. Those continue to be scored as "likelihood is very low or almost impossible", and "impact is marginal or negligible" (E3, E4 or F3). This action does not preclude any of the items being escalated to the significant risks list should they increase in likelihood or impact in the future.
5. There are no new risks highlighted in appendix 2. Three of the four "red risks" relate to the performance of the Fund's Investments. These, and also some of those risks scored amber are linked to the impact of economic and market events which are outside of the Fund's control. Therefore, whilst the Pension Fund Committee puts in place a range of mitigatory measures (for example diversification between asset classes and managers, the engagement of appropriately qualified external professionals to provide investment or actuarial advice, and regular monitoring and review of the fund's investments and liabilities), ultimately the risks cannot be eliminated or managed down to a level where the impact is negligible, and therefore they have to be tolerated whilst continuing to apply these mitigating measures.
6. The remaining red risk relates to the Regulatory impact of Court judgements, in particular, the McCloud Judgement, which the Committee has previously been made aware of. Work to mitigate this risk by collecting additional historic data from employers. At present the Government has not provided details of how McCloud will be implemented in the LGPS, and until this happens the precise impacts cannot be quantified.

## **Legal Implications**

7. There are no direct legal implications arising from this report.

8. The terms of reference for the Board include assisting the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme

## **Financial Implications**

9. Whilst the performance and effective controls of the fund managers is of paramount importance in the performance of the Pension Fund, there are no specific financial implications arising from this report.

## **Risk Management Implications**

10. Risk Management is the subject of this report – one of the key governance requirements for the Pension Fund is the appropriate management of risk and maintaining a separate a risk register helps to regulate that process effectively.

## **Equalities implications / Public Sector Equality Duty**

11. Was an Equality Impact Assessment carried out? No
12. There are no direct equalities implications arising from this report.

## **Council Priorities**

13. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

## **Section 3 - Statutory Officer Clearance**

### **Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 30/11/2021**

### **Statutory Officer: Sharon Clarke**

Signed on behalf of the Monitoring Officer

**Date: 30/11/2021**

### **Chief Officer: Dawn Calvert**

Signed on behalf of the Corporate Director

Date: 07/12/2021

## **Mandatory Checks**

Ward Councillors notified: Not applicable

## **Section 4 - Contact Details and Background Papers**

**Contact:** Jeremy Randall – Interim Pensions Manager

Email: [Jeremy.randall@harrow.gov.uk](mailto:Jeremy.randall@harrow.gov.uk)

Telephone 020 8736 6552

**Background Papers:** None

## PENSION FUND RISK REGISTER

LIKELIHOOD				
A Very high				
B High				
C Significant	G22	4,5,7	8, 9, 10, 12	
D Low	G21	G1, G5, G6, G8, G9, G10, G14	1, 2, 3, 6, 11	
E Very Low		G2	G3, G4, G7, G12, G13, G15, G16, G17, G18, G19, G20, G23, G24	
F Almost Impossible			G11	

**IMPACT**  
 4 Negligible Impact/Benefit    3 Marginal Impact / Minor Benefit    2 Critical Impact / Major Benefit    1 Catastrophic Impact / Exceptional Benefit

## DEFINITION OF TERMS

LIKELIHOOD	
<b>A Very high</b>	Greater than 80% (almost certainly will occur)
<b>B High</b>	51-80% (more likely to occur than not)
<b>C Significant</b>	25-50% (fairly likely to occur)
<b>D Low</b>	10-24% (low, but could occur)
<b>E Very Low</b>	3-9% (extremely unlikely)
<b>F Almost Impossible</b>	0-2%

IMPACT	
<b>Catastrophic</b>	Services could not be sustained or major project fails to deliver
<b>Critical</b>	Serious disruption to services
<b>Marginal</b>	Small effect on services
<b>Negligible</b>	Trivial effect on services

This page is intentionally left blank

**PENSION FUND RISK REGISTER -  
KEY RISKS**

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
<b>KEY RISKS</b>									
<b>REGULATORY</b>									
1	Changes to national pension requirements and/or HMRC rules not being implemented.	The Administering Authority considers all consultation papers and new regulations and, with assistance from its advisers and suppliers, implements them as appropriate.	D2	D2		Treasury and Pensions Manager	D2	ongoing	Director of Finance
<b>FUNDING - ASSETS AND LIABILITIES</b>									
2	The Fund's assets are not sufficient to meet its long term liabilities. Fall in returns on Government bonds leading to rise in value placed on liabilities and an increase in deficit	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations. Funding Strategy Statement sets out plans / approach to ensure that assets are sufficient to meet liabilities in full as they fall due in the long term (lifetime of the Fund). The Fund's investment strategy, as described in the Investment Strategy Statement, is regularly reviewed to seek to ensure that optimum returns are realised to meet its liabilities. Stabilisation modelling (to determine contribution rates) allows for the probability of the fall in returns on Government bonds within a long term context.	D2	D2		Treasury and Pensions Manager	D2		Director of Finance
3	The relative movement in the value of the Fund's assets does not match the relative movement in the Fund's liabilities	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations. The Funding Strategy and Investment Strategy Statements are regularly reviewed in line with the triennial valuation with the objective of ensuring the long term solvency of the Fund.	D2	D2		Treasury and Pensions Manager	D2		Director of Finance

**PENSION FUND RISK REGISTER -**  
**KEY RISKS**

88

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
<b>KEY RISKS</b>									
4	Pay and price inflation is higher than anticipated increasing the value of liabilities	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations. The focus of the actuarial valuation is on real returns on assets, net of pay and price increases. Inter-valuation monitoring provides early warning of of adverse movements. Some investment in bonds helps to mitigate risks.	C3	C3		Treasury and Pensions Manager	C3		Director of Finance
5	Demographic factors change increasing the cost of Fund benefits thereby increasing liabilities.	At each triennial valuation assumptions are reviewed to ensure that they remain appropriate.	C3	C3		Treasury and Pensions Manager	C3		Director of Finance
<b>FUNDING - INVESTMENT STRATEGY</b>									
6	Long term investment strategy in relation to fund liabilities is inappropriate	External investment adviser, actuary and performance measurement consultant provide specialist guidance, including asset/liability and other modelling, to the Pension Fund Committee. Independent Advisors provide additional scrutiny, testing and validation of their work. Investment strategy options are considered as as an integral part of the funding strategy. Strategy is documented, regularly reviewed and approved by Pension Fund Committee. Strategy is in accordance with LGPS investment regulations. The Pension Fund Committee has explicitly considered its tolerance of risk and this is reflected in its allocation strategy.	D2	D2		Treasury and Pensions Manager	D2		Director of Finance



**PENSION FUND RISK REGISTER -  
KEY RISKS**

69

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
<b>KEY RISKS</b>									
7	Significant allocation to any single asset category and its underperformance relative to expectation. Failure of individual investments to perform up to expectation	Diversified investment strategy and investment management structure minimises impact at fund level of any individual investment failure. Performance measurement consultant and investment adviser supply regular review of the performance of the portfolio as a whole and of the individual managers. Asset allocation is periodically reviewed and adjustments made if required. Fund rebalancing to benchmark allocation is considered on a quarterly basis against relevant triggers.	C3	C3		Treasury and Pensions Manager	C3		Director of Finance
8	General fall in investment markets leading to poor performance.	The Committee, as advised by the actuary considers long term returns. Diversification between asset classes and regular monitoring of investment performance.	C2	C2		Treasury and Pensions Manager	C2		Director of Finance
9	Failure by fund managers to achieve benchmark (passive) or performance target (active) returns for their given mandates	Diversification of managers and asset classes mitigates the impact of a single manager under-performing. Managers are selected via an extensive process of "due diligence." Manager performance is reviewed by Committee at each meeting against benchmark and performance objectives and with investment adviser's report; poor performance is highlighted and addressed by the Committee and officers. Regular dialogue is maintained with the investment advisers and managers; the Committee meets the managers regularly and officers meet them on other occasions. Procurement frameworks and adviser's advice are used to fast track the appointment of new managers if changes are required	C2	C2	As Investment pooling is progressed, the London CIV adds an additional level of monitoring and scrutiny of managers, and options to improve speed of implementation if changes in manager are required.	Treasury and Pensions Manager	C2		Director of Finance

**PENSION FUND RISK REGISTER -**  
**KEY RISKS**

06

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
<b>KEY RISKS</b>									
10	Fund assets fail to deliver returns in line with anticipated returns underpinning the triennial valuation	Long term returns are anticipated on a prudent basis and progress is analysed on at least a three year's basis. Assets are invested on the basis of specialist advice in a suitably diversified manner across asset classes, geographies, managers etc.	C2	C2		Treasury and Pensions Manager	C2		Director of Finance
<b>OPERATIONAL</b>									
11	Concentration of knowledge in a small number of officers and risk of departure of key staff	Appoint suitably qualified staff. Ensure training and succession planning in place	D3	D2	With small teams it is in practice difficult to eliminate this risk. Remote working due to Covid-19 can impact adversely on knowledge sharing between colleagues.	Treasury and Pensions Manager	D2	ongoing	Director of Finance
12	Regulatory impact of court judgements creates significant administrative workload	McCloud judgement, relating to "age equality" impact of transitional arrangements for the move from the 2008 "final salary" to the 2014 "career average" scheme requires review and recalculation for a significant part of the Fund's members.	C2	C2	Discussions ongoing at national level, including with software suppliers, to set a realistic timescale for implementation of changes. Officers monitoring these discussions whilst assessing workload impacts and possible approaches to manage this.	Treasury and Pensions Manager	C3	ongoing	Director of Finance

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
<b>REGULATORY</b>									
G1	Changes by regulation to particular employer participation in the Local Government Pension Scheme with impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers and new regulations and, with assistance from its advisers, implements them, including amending strategies, as appropriate.	D3	D3		Treasury and Pensions Manager	D3	ongoing	Director of Finance & Assurance
G2	Other UK Legislation (public sector exit cap) conflicts with LGPS Regulations	Government introduced legislation to limit the cost of "exit payments" to £95k, but did not issue updated LGPS Regulations incorporating the necessary changes to align with this. Letter containing Ministerial Guidance issued 28/10/2020 but does not have force of law. Software changes will also be required once the new LGPS Regulations are approved.	C3	E3	Government made a further change to the Regulations in February 2021 - repealing the "Exit Cap". It intends to reintroduce new legislation towards the end of 2021, but after the earlier issues it is expected that this will align with the LGPS Regs.	Treasury and Pensions Manager	E3	Mar-22	Director of Finance & Assurance
<b>GOVERNANCE</b>									
G3	Pension Fund Committee members have insufficient knowledge to make correct decisions	Regular training is provided via a structured training programme to allow Members to review and challenge recommendations. Actuarial, investment, independent and officer advice is available to assist Members in making their decisions. The Council's in-house Legal Department provides advice as appropriate.	E2	E2	Regular training sessions will be arranged before each Committee to ensure that knowledge remains up to date.	Treasury and Pensions Manager	E3	ongoing	Director of Finance & Assurance
G4	Inadequate investment and actuarial advice is available to the Pension Fund Committee or sound advice is not heeded	Properly considered appointment of actuary and investment consultant with relevant experience and professional standards in place. Appointment of additional independent advisers. The Administering Authority, via its Pension Fund Committee and Pension Board maintains close contact with its specialist advisers and, in addition to receiving "statutory" reports, makes of requests for specific reports when required. Advice is delivered at formal meetings and recorded appropriately.	E2	E2		Treasury and Pensions Manager	E2	ongoing	Director of Finance & Assurance
G5	Officers do not have sufficient knowledge and experience to advise the Committee and manage the Fund.	Suitably qualified staff appointed. Skills kept up to date through ongoing professional development (including training and technical reading); liaison with other funds and professional bodies and other networks. Training and development needs monitored through annual and monthly meetings with managers Use of external advisers where appropriate	D3	D3		Treasury and Pensions Manager	E3	ongoing	Director of Finance & Assurance

**PENSION FUND RISK REGISTER - LOWER SCORED RISKS (Green Rated)**

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
G6	Failure to maintain proper oversight of the administration of the Fund	The Pension Fund Committee has responsibility for exercising the Administering Authority's responsibilities clearly set out in its terms of reference. The Pension Board provides support and constructive challenge to support the oversight of the administration of the Fund.	D3	D3		Treasury and Pensions Manager	E3	ongoing	Director of Finance & Assurance
<b>FUNDING - ASSETS AND LIABILITIES</b>									
G7	Pension Fund objectives are not defined and agreed	Objectives are defined in the Funding Strategy Statement which is reviewed regularly by the Pension Fund Committee	E2	E2		Treasury and Pensions Manager	E2		Director of Finance & Assurance
G8	The Fund's pensioners are living longer than assumed in actuarial assumptions thereby increasing liabilities.	At each triennial actuarial valuation life expectancy assumptions are specifically reviewed taking into account both national and local longevity experience. The Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might affect the assumptions underpinning the valuation	D3	D3		Treasury and Pensions Manager	D3		Director of Finance & Assurance
G9	Increase in number of early retirements due to service reductions and/or ill-health retirements.	Employers are charged the "strain" cost of non-ill-health retirements; ill health retirement experience is closely monitored. Controls are included in admission agreements for new bodies joining the Fund and insurance may be available. Experience between triennial valuations is monitored and incorporated in the valuation process.	D3	D3		Treasury and Pensions Manager	D3		Director of Finance & Assurance
G10	Structural changes in an employer's membership (eg fall in active membership) leading to non-recovery of past service deficits	Monitor at each valuation and appropriate investment strategy is implemented. Past service deficits are being recovered by cash rather than percentage of payroll.	D3	D3		Treasury and Pensions Manager	D3		Director of Finance & Assurance
G11	Insufficient assets to meet short and medium term liabilities	Medium term requirements are regularly reviewed, and cashflow is monitored and reconciled on a daily basis. Most of the Fund's investments are liquid and can be accessed relatively quickly.	E2	F2		Treasury and Pensions Manager	F2		Director of Finance & Assurance
G12	Reductions in payroll causing insufficient deficit recovery payments	Reviewed at triennial valuation. Stabilisation mechanism permits appropriate contribution increases. Deficit contributions are a fixed monetary amount rather than a percentage of payroll.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance & Assurance

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
	<b>FUNDING - INVESTMENT STRATEGY</b>								
G13	Losses arise due to currency fluctuations	The Council has established a currency hedging strategy covering 50% of the global equity portfolio to dampen the effect of foreign currency fluctuations against sterling. Approximately 10 major currencies are hedged most notably the US Dollar, Japanese Yen and Euro.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance & Assurance
G14	Environmental, social and governance issues reduce the Fund's abilities to generate long term returns	The Fund expects its managers to act in the best financial interests of the Fund which involves considering the effects of ESG issues on the performance of companies in which they invest	D3	D3	The Fund has realigned its investments to increase its ESG focus, and has reviewed its Investment Strategy Statement in 2021.	Treasury and Pensions Manager	D3	June 2021	Director of Finance & Assurance
	<b>SECURITY</b>								
G15	Investment manager may not have appropriate control framework in place to protect Pension Fund assets	Client agreements which include the control framework are in place. Assets are held by external custodians separate from the investment managers; custodians are expected to comply with ICAEW's Audit and Assurance Faculty's guidance on internal controls of service organisations. Each investment manager's annual audit of internal controls is reviewed by officers and the Pension Fund Committee. Investment managers maintain an appropriate risk management framework to minimise the level of risk to pension fund assets.	E2	E2	Whilst this risk is outside the Fund's control, the annual audits reveal very few exceptions to the intended control processes operating correctly. An aspiration that the likelihood is almost impossible is therefore a reasonable aspiration but timescales are dependent on the managers.	Treasury and Pensions Manager	F2	N/A	Director of Finance & Assurance
G16	Negligence, fraud or default by individual investment manager.	Legal requirements on fund managers set out in investment management agreements, FSA and other regulatory requirements; separation of investment management and custody arrangements; annual review of operational controls	E2	E2		Treasury and Pensions Manager	E2		Director of Finance & Assurance
G17	Custody arrangements may not be sufficient to safeguard fund assets	Client agreements which include the control framework are in place. External custodians comply with ICAEW's Audit and Assurance Faculty's guidance on internal controls of service organisations. Regular reconciliations carried out to check external custodian records	E2	E2		Treasury and Pensions Manager	E2		Director of Finance & Assurance
G18	Failure of custodian	Use custodians under banking and FSA regulation	E2	E2		Treasury and Pensions Manager	E2		Director of Finance & Assurance

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
	<b>OPERATIONAL</b>								
G19	Major emergency	Business Continuity Plan in place. Service delivery during 2020 Covid-19 Pandemic has demonstrated resilience of remote working arrangements.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance
G20	Systems and data may not be secure and appropriately maintained	Authentication controls including regular password changes and robust user administration procedures are in place. Access rights restricted. Data is backed up on an incremental basis daily and fully backed up weekly. Audit trails and reconciliations are in place. System is protected against viruses and other system threats. Software is regularly updated to ensure LGPS requirements are met. Staff working from home use only LBH equipment and secure log in arrangements.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance
G21	Contributions to the Fund are not received, processed and recorded completely and accurately in accordance with scheme rules.	Sufficient resources are in place, structured appropriately, to carry out the necessary transaction processing. Procedures exist to identify any non-payment of contributions. Internal audit reviews take place regularly and there is an External Audit review of the accounts annually	D4	D4		Treasury and Pensions Manager	D4		Director of Finance
G22	Overpayments made	Most overpayments result from deaths not being notified promptly. In addition to informal contacts, life certificates are regularly sent out and Harrow is a member of the National Fraud Initiative. Pensions Admin participate in the "tell us once" service, so are notified of many deaths through registrars via this service.	C4	C4		Treasury and Pensions Manager	C4		Director of Finance
G23	Breach of data protection legislation.	Data security protocol in place. Staff made aware of importance of ensuring data is properly protected.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance
G24	Effect of possible increase in employer's contribution rate on service delivery of Administering Authority and admission and scheduled bodies.	A stabilisation mechanism has been agreed as part of the funding strategy and other measures are in place to limit sudden increases in contributions.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance
	<b>ACCOUNTING</b>								
	None								



**Report for: Pension Board**

---

<b>Date of Meeting:</b>	16 December 2021
<b>Subject:</b>	Review of Pension Fund Committee Items (24 November 2021)
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance and Assurance
<b>Exempt:</b>	Yes – Appendix 2 is exempt from publication under paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)
<b>Wards affected:</b>	Not applicable
<b>Enclosures:</b>	Appendix 1 – Pension Fund Valuation at 31 October 2021; Appendix 2 (Exempt) - ESG Reporting Dashboard (Aon)

**Section 1 – Summary and Recommendations**

---

This report summarises the matters considered by the Pension Fund Committee at its last meeting on 24 November 2021 and invites the Board to agree any comments they might wish to make to the Pension Fund Committee.

**Recommendations:**

The Board is requested to note the report and comment as necessary.

## Section 2 – Report

1. The list of items considered by the Pension Fund Committee at its meeting on 24 November 2021 is summarised in the table below.

Report	Comments
<b>Part I</b>	
London Collective Investment Vehicle – Amendments to Shareholder Agreement and Articles of Association	As a result of some additions to its range of fund offerings, the London CIV needed to amend its definition of Regulatory Capital. As a company owned by the City of London and the 32 London Boroughs (as administering authorities for their pension funds) the change required approval by each of the authorities. This (technical) change was approved and authority delegated to the Director of Finance and Assurance to sign the necessary documentation.
Appointment of Independent Advisors	The contracts of the Pension fund’s two Independent Advisors are due to expire in March 2022. The Committee approved the arrangements – delegating authority to the Director of Finance and Assurance, in consultation with two members of the Committee, to carry out the recruitment process and recommend appointees to the next meeting of the Committee in March 2022.
Performance Dashboard and Update on Regular items	The Committee considered the report, which summarised the position of the Fund at the end of Q3 2021 (30 September 2021) and agreed a draft work programme for the Committee for the remainder of the 2021-22 municipal year.
Environmental, Social and Governance (ESG) Reporting	<p>Following discussions at its previous meeting, the Committee considered a draft dashboard produced by Aon which set out a possible format for reporting of these issues – this was approved and is attached at Appendix 2 (exempt).</p> <p>The Committee also considered options offered by Blackrock for exercising voting rights in respect of the Fund’s passive equity investments. Aon provided an analysis of the options, and recommended that the approach of</p>



	continuing to use Blackrock's Investment Stewardship division to vote on the Fund's behalf was the most appropriate This recommendation was approved.
<b>Part II</b>	
Actions Arising from the Manager Day held on 2 November 2021	Following the recent Manager Day, the Committee had asked for further information from the London CIV regarding its plans for the LCIV Global Equity Focus Fund (managed by Longview). Officers from the CIV presented and answered questions on this subject. The Committee also considered a paper from Aon on options for its active emerging market equity investments and agreed a programme of further work on this matter to be carried out during January and February 2022.
Certain appendices from above reports were considered in part II	Decisions / comments are reported above.

2. A training session was held immediately before the Committee's meeting. Laura McInroy from the Fund's Actuaries, Hymans Robertson, delivered the training, in which she gave a presentation and answered questions about the forthcoming triennial valuation of the Fund (as at 31 March 2022).
3. The investment dashboard showed that at 30 September 2021 the Pension Fund's investments were valued at £1,029m and its estimated liabilities were £985mm, meaning that the Investment Funding Level was 104%. This estimate of liabilities is a rolled forward projection based on the 2019 actuarial valuation, the results of which were reported to the Pension Fund Committee in December 2019.
4. The estimated funding level has improved since the triennial valuation, despite the increase in the value of the Fund's liabilities (which is partly linked to the forecast yields on investments), because returns on investments have exceeded expectations in that period. The improvement in the most recent quarter is due to the increase in value of investments during that period.
5. However, it should be noted that the 105% funding level relates only to "past service" benefits (i.e. service accrued to date). The Fund will also have to meet liabilities in respect of future service, which will in turn depend on pay levels and other factors. However, taking into account the changes in the forecast growth in liabilities (linked to inflation and pay settlements), and the forecast future return on investments, the probability of the Fund being 100% funded at the end of the agreed

deficit recovery period has increased, and the investment return required to achieve this outcome has fallen, both of which are “good news”.

6. The Fund’s valuation at 31 October 2021 is shown at appendix 1 – it had increased further to £1,038m. Since the September meeting, the planned changes to the Fund’s Fixed Income portfolio have been completed and there have been further drawdowns to both the LCIV Infrastructure Fund and the LCIV Renewables Infrastructure Fund. At 31 October 2021, 68.5% of the Fund’s investments were pooled or in passive investments which are regarded as being pooled.
7. For Board members’ information, the remaining meeting of the Pension Fund Committee in the 2021-22 municipal year is scheduled to take place on Wednesday 9<sup>th</sup> March 2022. The meeting is scheduled to start at 6.30pm. It is intended that a training session will be held before the Pension Fund Committee meeting, beginning at 5.30pm. All Board members are welcome to attend both the training sessions and the meeting. The meeting will continue to be held in hybrid form, with only the voting members and some officers required to be “physically present” with others joining via Microsoft Teams until fully “in person” meetings can be held safely.

## **Legal Implications**

8. There are no direct legal implications arising from this report.
9. The terms of reference for the Board include assisting the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme.

## **Financial Implications**

10. Whilst the performance and effective controls of the fund managers is of paramount importance in the performance of the Pension Fund, there are no direct financial implications arising from this report.

## **Risk Management Implications**

11. The Pension Fund’s Risk Register is reviewed regularly by both the Pension Fund Committee and by the Board. The next review will be considered by the Board at this meeting.
12. There are no specific risk management implications arising from this report. The level of risk to which its investments are exposed is a key component in developing the Fund’s investment strategy

## **Equalities implications / Public Sector Equality Duty**

13. Was an Equality Impact Assessment carried out? **No**
14. There are no direct equalities implications arising from this report.

## **Council Priorities**

15. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

## **Section 3 - Statutory Officer Clearance**

**Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 30/11/2021**

**Statutory Officer: Sharon Clarke**

Signed on behalf of the Monitoring Officer

**Date: 30/11/2021**

**Chief Officer: Dawn Calvert**

Signed on behalf of the Corporate Director

**Date: 7/12/2021**

## **Mandatory Checks**

**Ward Councillors notified:** Not Applicable

## **Section 4 - Contact Details and Background Papers**

**Contact:** Jeremy Randall – Interim Pensions Manager

Email: [Jeremy.randall@harrow.gov.uk](mailto:Jeremy.randall@harrow.gov.uk)

Telephone: 020 8736 6552

**Background Papers:** None

This page is intentionally left blank

## Fund Valuation and Performance

March 2021 to March 2022

Asset Class	Value 31.03.2021 £'000	Value 30.04.2021 £'000	Value 31.05.2021 £'000	Value 30.06.2021 £'000	Value 31.07.2021 £'000	Value 31.08.2021 £'000	Value 30.09.2021 £'000	Value 31.10.2021 £'000	Allocation 31.10.2021 %	Strategic Allocation %	Strategic Range %
<b>Global Equities</b>											
LCIV - Global Equity Focus Fund	120,618	117,880	117,743	117,658	121,362	125,200	122,078	124,694	12	10	
LCIV - Blackrock Passive	247,575	247,596	245,542	255,490	255,906	265,034	261,290	266,066	26	24	
LCIV - Sustainable Equity Fund	67,238	70,905	70,967	73,242	74,336	78,200	75,174	78,595	8	8	
GMO	89,731	81,215	80,238	83,116	77,932	79,306	77,815	77,941	8	8	
Record passive currency hedge	8,136	2,255	6,863	2,496	1,228	-592	-4,041	957	0		
<b>Total Global Equities</b>	<b>533,298</b>	<b>519,851</b>	<b>521,353</b>	<b>532,003</b>	<b>530,763</b>	<b>547,149</b>	<b>532,316</b>	<b>548,252</b>	<b>53</b>	<b>50</b>	<b>45-55</b>
									Inc Hedging		
<b>Diversifying Return Assets</b>											
<b>Diversified Growth Fund</b> - Insight	99,827	101,883	102,842	103,680	103,873	104,940	103,590	95,190 *	9	5.5	
<b>Property</b> - LaSalle	61,561	61,717	61,821	63,120	63,359	63,576	65,093	65,368	6	6	
<b>Renewables</b> - LCIV Renewables Fund	0	0	0	0	3,781	3,781	3,781	12,347	1	5	
<b>Infrastructure</b> - LCIV Infrastructure	16,099	16,735	17,200	18,534	18,763	19,245	21,160	25,581	2	7.5	
<b>Private Equity</b> - Pantheon	6,989	6,989	6,989	7,659	7,659	7,659	7,138	7,138	1	1	
<b>Total Diversifying Return Assets</b>	<b>184,476</b>	<b>187,324</b>	<b>188,852</b>	<b>192,994</b>	<b>197,435</b>	<b>199,201</b>	<b>200,761</b>	<b>205,625</b>	<b>20</b>	<b>25</b>	<b>20-30</b>
								9.75m withdrawal *			
<b>Risk Control Assets</b>											
<b>Bonds</b> - Blackrock - FI	97,538	98,019	97,839	100,345	102,647	102,829	75,976	45,893 **	4	5	
<b>Bonds</b> - Blackrock - IL active	24,823	24,925	25,465	25,844	27,528	28,038	608	0	0	0	
<b>Bonds</b> - Blackrock - IL passive LCIV	0	0	0	0	0	0	47,081	49,483	5	5	
<b>Bonds</b> - LCIV Global Bond Fund	0	9,994	20,090	20,367	20,497	20,612	20,388	50,101 **	5	5	
<b>MAC</b> - LCIV MAC Fund	101,226	102,084	102,657	103,229	103,611	104,183	104,470	104,565	10	10	
<b>Total Risk Control Assets</b>	<b>223,586</b>	<b>235,022</b>	<b>246,050</b>	<b>249,785</b>	<b>254,283</b>	<b>255,662</b>	<b>248,523</b>	<b>250,041</b>	<b>24</b>	<b>25</b>	<b>20-30</b>
								30m Transfer **			
<b>Cash &amp; NCA</b>											
Cash Managers (Blackrock)	12,726	12,726	12,727	12,727	12,728	12,728	12,729	12,729			
Cash NatWest	4,399	23,084	11,888	11,692	8,180	7,386	6,546	4,151			
Cash Custodian (JP Morgan)	7,949	13,601	13,600	13,599	16,054	16,053	16,052	14,372			
Blackrock Dividends (Pending Reinvestment)	0	695	695	0	694	695	694	694			
Debtors and Creditors	1,401	1,467	2,024	2,445	2,300	2,520	2,176	2,221			
CIV Investment	150	150	150	150	150	150	150	150			
<b>Total Net Current Assets</b>	<b>26,625</b>	<b>51,723</b>	<b>41,084</b>	<b>40,614</b>	<b>40,106</b>	<b>39,532</b>	<b>38,347</b>	<b>34,317</b>	<b>3</b>	<b>0</b>	
<b>Total Assets</b>	<b>967,984</b>	<b>993,920</b>	<b>997,338</b>	<b>1,015,395</b>	<b>1,022,587</b>	<b>1,041,543</b>	<b>1,019,948</b>	<b>1,038,236</b>	<b>100</b>	<b>100</b>	
<b>Assets Pooled</b>											
- LCIV Funds	31.5%	32.0%	33.0%	32.8%	33.5%	33.7%	34.0%	38.1%		45.5%	
- Other (Passive) Funds - Regarded as Pooled	25.6%	24.9%	24.6%	25.2%	25.0%	25.4%	30.2%	30.4%		29.0%	
<b>Total % Pooled</b>	<b>57.1%</b>	<b>56.9%</b>	<b>57.6%</b>	<b>58.0%</b>	<b>58.5%</b>	<b>59.2%</b>	<b>64.3%</b>	<b>68.5%</b>		<b>74.5%</b>	

This page is intentionally left blank



## **Report for: Pension Board**

---

<b>Date of Meeting:</b>	16 December 2021
<b>Subject:</b>	Pension Board Work Programme For Future Meetings
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	Not Applicable
<b>Enclosures:</b>	None

### **Section 1 – Summary and Recommendations**

---

This report reviews the Pension Board’s work to date, lists the forthcoming meeting dates and invites the Board to comment on a suggested work programme for the remainder of the 2021-22 Municipal Year.

#### **Recommendations:**

The Board is requested to note the date of the remaining meeting for 2021-22 and to comment on the proposed work programme.

### **Section 2 – Report**

1. The Pension Board meets quarterly. At its meeting on 2 December 2020, the Board agreed a draft work programme for the 2021-22 municipal year. This has been reviewed at each subsequent meeting.
2. The final meeting in 2021-22 will be on Thursday 3<sup>rd</sup> March 2022. As previously advised, meetings will continue to be held via Microsoft Teams until it is considered appropriate to revert to meeting in person.
3. A suggested work programme for the final meeting of 2021-22 is shown in the table below, together with an outline programme for 2022-23. Further items will be added as required.

<b>Matter for Consideration</b>	<b>Board Meeting</b>
<b>Items for consideration at each meeting (all years)</b>	
Pensions Administration – Performance monitoring	Quarterly report – to include updates on McCloud and Exit Cap and Scheme Advisory Board
Pension Fund Dashboard including Long term cashflow and funding	Quarterly report - Considered in review of PF Committee minutes quarterly
Latest Pension Fund Committee Meeting - Summary of Reports and actions	Quarterly report
<b>2021-22 Items</b>	
GAD Section 13 report on the 2019 Triennial Valuation	3 March 2022 – if published.
Update on Investment Pooling	3 March 2022
Preparations for 2022 Triennial Valuation	3 March 2022
Review of Fund Policies (for recommendation to Pension Fund Committee for approval)	Part of preparations for implementation of good governance review <ul style="list-style-type: none"> <li>- Administration strategy</li> <li>- Training Strategy</li> <li>- Fund Discretions</li> <li>- Representation</li> </ul>
<b>2022-23 Items</b>	
Pension Fund Risk Register Review	June 2022
Annual Report and Financial Statements for year ended 31 March 2022	June 2022 – draft PF Accounts and Annual Report December 2022 – to review the external auditor’s report on the accounts.
Regulatory Updates	Ad hoc – as changes occur
Triennial valuation 2022	Progress updates at each meeting <ul style="list-style-type: none"> <li>- Assumptions June 2022</li> <li>- Funding Strategy Statement September 2022</li> <li>- Initial results – December 2022</li> <li>- Final report – March 2023</li> </ul>

4. For Board members’ information, the date of the remaining meeting of the Pension Fund Committee in this municipal year is Wednesday 9<sup>th</sup> March 2022 at 6.30pm. It is currently intended that a training session will be held, before each Pension Fund Committee meeting, beginning at beginning at 5.30pm. All Board members are welcome to attend both the training session and part 1 of the meeting. The meetings are currently being held in “hybrid” format.



5. Dates for meetings of the Board and of the Pension Fund Committee for 2022-23 have not yet been formally agreed. However, provisional dates are as follows:
- Pension Board
    - 7 July 2022
    - 6 October 2022
    - 1 December 2022
    - 2 March 2023
  - Pension Fund Committee
    - 23 June 2022
    - 20 September 2022
    - 15 November 2022
    - 22 March 2023

## **Legal Implications**

6. There are no direct legal implications arising from this report.
7. The terms of reference for the Board include assisting the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme

## **Financial Implications**

8. Whilst the performance and effective controls of the fund managers is of paramount importance in the performance of the Pension Fund, there are no financial implications arising from this report.

## **Risk Management Implications**

9. The Pension Fund's Risk Register is reviewed regularly by both the Pension Fund Committee and by the Board. The next review is elsewhere on the agenda for this meeting.
10. There are no specific risk management implications arising from this report. The level of risk to which its investments are exposed is a key component in developing the Fund's investment strategy.

## **Equalities implications / Public Sector Equality Duty**

11. Was an Equality Impact Assessment carried out? No
12. There are no direct equalities implications arising from this report.

## **Council Priorities**

13. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

## **Section 3 - Statutory Officer Clearance**

**Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 02/12/2021**

**Statutory Officer: Sharon Clarke**

Signed on behalf of the Monitoring Officer

**Date: 02/12/2021**

**Chief Officer: Charlie Stewart**

Signed by the Corporate Director

**Date: 02/12/2021**

## **Mandatory Checks**

**Ward Councillors notified:** Not Applicable

## **Section 4 - Contact Details and Background Papers**

**Contact:** Jeremy Randall – Interim Pensions Manager

Email: [Jeremy.randall@harrow.gov.uk](mailto:Jeremy.randall@harrow.gov.uk)

Telephone: 020 8736 6552

**Background Papers:** None

Document is Restricted

This page is intentionally left blank