



Pension Fund Committee Agenda

Date: Wednesday 20 December 2023

Time: 6.30 pm

Venue: The Auditorium - Harrow Council Hub, Kenmore Avenue, Harrow, HA3 8LU

Membership (Quorum 3 Councillors)

Chair: Councillor David Ashton

Conservative Councillors: Norman Stevenson

Labour Councillors: Jerry Miles
Nitin Parekh (VC)

Trade Union Observer(s): Mr J Royle – UNISON
Ms P Belgrave – GMB

Independent Advisers: Mr C Robertson
Honorary Alderman R Romain

Reserve Members:

Conservative Reserve Members: 1. Kanti Rabadia
2. Amir Moshenson

Labour Reserve Members: 1. Asif Hussain
2. Natasha Proctor

Contact: Mwim Chellah, Senior Democratic and Electoral Services Officer
Tel: 07761 405966 E-mail: mwimanji.chellah@harrow.gov.uk

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Useful Information

Joining the Meeting virtually

The meeting is open to the public and can be viewed online at [London Borough of Harrow webcasts](#)

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You will be admitted on a first-come-first basis and directed to seats.

Please:

- (1) Stay seated.
- (2) Access the meeting agenda online at [Browse meetings - Pension Fund Committee](#)
- (3) Put mobile devices on silent.
- (4) Follow instructions of the Security Officers.
- (5) Advise Security on your arrival if you are a registered speaker.

Filming / recording

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Agenda publication date: Tuesday 12 December 2023

Agenda - Part I

1. **Attendance by Reserve Members**

To note the attendance at this meeting of any duly appointed Reserve Members.

2. **Declarations of Interest**

To receive declarations of disclosable pecuniary or non pecuniary interests, arising from business to be transacted at this meeting, from all Members present.

3. **Minutes** (Pages 5 - 10)

That the minutes of the meeting held on 19 September 2023 be taken as read and signed as a correct record.

4. **Public Questions**

To note any public questions received.

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, 15 December 2023.

Questions should be sent to publicquestions@harrow.gov.uk

No person may submit more than one question].

5. **Petitions**

To receive petitions (if any) submitted by members of the public/Councillors.

6. **Deputations**

To receive deputations (if any).

7. **Audit of Pension Fund Accounts 2021-22** (Pages 11 - 100)

Report of the Director of Finance and Assurance

8. **Government Consultation on Investments and Pooling** (Pages 101 - 106)

Report of the Director of Finance and Assurance

9. **Investments & Managers Performance Review** (Pages 107 - 134)

Report of the Director of Finance and Assurance

10. **Any Other Urgent Business**

Which cannot otherwise be dealt with.

11. **Exclusion of the Press Public**

To resolve that the press and public be excluded from the meeting for the following items of business, on the grounds that it involves 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:

<u>Agenda Items No</u>	<u>Title</u>	<u>Description of Exempt Information</u>
-	-	-
12	Investments & Managers Performance Review (Appendix 3 and Appendix 4)	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information))
13	Investment Strategy Implementation	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information))
14	Update on Pension Fund Procurements (Actuarial Services and Investment Consultancy Services).	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information))

12. **Investments & Managers Performance Review** (Pages 135 - 150)
Appendices 3 and 4 to the Report of the Director of Finance and Assurance
13. **Update on Pension Fund Procurements (Actuarial Services and Investment Consultancy Services)** (Pages 151 - 156)
Report of the Director of Finance and Assurance
14. **Investment Strategy Implementation** (Pages 157 - 164)
Report of the Director of Finance and Assurance

[Please note that Aon, Advisers to the Fund, will be attending this meeting.]

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 Fund Committee

Minutes

19 September 2023

Present:

Chair: Councillor David Ashton

Councillors: Jerry Miles Norman Stevenson
Nitin Parekh

Trade Union Observers: John Royle

Independent Advisers: Mr C Robertson

Honorary Alderman Virtual
R Romain

Apologies received: Pamela Belgrave GMB

15. Attendance by Reserve Members

RESOLVED: To note that there were no reserve Members in attendance at this meeting.

16. Declarations of Interest

RESOLVED: To note that Councillor Norman Stevenson, a Member of the Committee, declared a non-pecuniary interest in that he was presently a Director of Cathedral Independent Financial Planning Limited. He had clients who were past and present members of the Harrow Pension Scheme. His wife was a member of Harrow Council's Pension Scheme. He would remain in the room whilst the matters were considered and voted upon.

17. Minutes

RESOLVED: That the minutes of the meeting held on 31 July 2023, be taken as read, and signed as a correct record.

18. Public Questions

RESOLVED: To note that no public questions were received at the meeting.

19. Petitions

RESOLVED: To note that no petitions were received at the meeting.

20. Deputations

RESOLVED: To note that no deputations were received at the meeting.

Resolved Items

21. Investments & Managers Performance Review

Members received the Investments and Managers Performance Review, which updates the Committee on regular items as follows:

- Draft work programme for the remainder of 2023-2024 on which the Committee's comments and agreement were requested;
- The investment and management performance dashboard report summarising key fund performance and risk indicators and PIRC Performance Indicators;
- Fund performance to 30 June 2023 and 31 August 2023; and
- Update on Audit of Annual Report and Accounts for 2021-2022.

Members enquired how Harrow's funding level compared with other local authorities. It was advised that Harrow's funding position was strong and healthy, and this compared satisfactorily with other local authorities. However, there was a wide range of funding ratios across local government, as the strategic investment strategies were varied.

Members were informed that the Manager Review Day would be held on 30 October 2023.

Furthermore, Members were also informed of the intention to have a training session on performance measurement.

RESOLVED: That

- 1) the performance and investment dashboard report be noted; and
- 2) the draft work programme for the remainder of 2023-2024 be approved.

22. Draft Pension Fund Annual Report 2022/23

Members received the Draft Pension Fund Annual Report for 2022-2023, which outlined the draft Pension Fund Annual Report for the year ended 31 March 2023.

Citing paragraph 12 of the report, Members asked about the Investment income that had increased by some £1.3m over the year and about transfer values received which were lower by £2.4m over the year.

It was advised that it was not possible to predict transfer value payments as they are dependent on an individual's length of service and salary. These varied significantly. Furthermore, as some employees left, and others joined, it was impossible to estimate transfer value payments.

Paragraph 14 of the report on cashflow was discussed. Cashflow was now "slightly negative", although the investment strategy retained sufficient liquidity to address this in the short to medium term.

However, it was advised that the impact of stable membership, longevity and pension increases was likely to increase future cash outflows gradually. Therefore, in the longer term, it was likely that this would be factored into the investment strategy. Currently, there was enough cashflow to sustain operations.

RESOLVED: That

- 1) the draft Pension Fund Annual Report for 2022-2023 be approved for publication; and
- 2) the Acting Director of Finance and Assurance be authorised to make any changes arising from the audit of accounts before publication.

23. Quarterly LGPS Update and Harrow Pension Administration Update with Key Performances

Members received the Quarterly Local Government Pension Scheme (LGPS) Update and Harrow Pension Administration Update with Key Performances.

This provided Members with information relating to the administration performance of the Fund over the last quarter, and an update on latest key LGPS issues and developments.

Members requested that future updates contain an “executive summary” for ease of reference.

RESOLVED: That the contents of the update be noted.

24. LCIV and Investment Pooling Quarterly Update

Members received the London Collective Investment Vehicle (CIV) and Investment Pooling Update.

The report provided an update on the current position on Investment Pooling and Harrow Pension Fund’s own pooling arrangements with the London CIV.

Members inquired about the “direction of travel” with the London CIV, and the various categories on the list of funds, given the Mansion House Speech delivered by the Chancellor of the Exchequer 10 July 2023.

It was advised that the Mansion House Speech outlined a number of important issues on pensions. These included the “perverse situation”, which in the Chancellor’s opinion, UK institutional investors were not investing as much in UK high-growth companies as their international counterparts did in their high-growth companies. This, in his view, might lead some defined contribution schemes to not provide adequate returns for their pension fund holders. Reforms had been proposed, which were subject to consultation.

It was also advised that for the Harrow Pension Fund, the deadline for responding to the consultation was 2 October 2023.

The Chair requested that the draft consultation document relating to the pensions issues raised in the Mansion House Speech be distributed to Members.

RESOLVED: That the contents of the update be noted.

25. Any Other Urgent Business

Councillor Norman Stevenson informed Members that due to increased activism at some Pension Fund Committee meetings on environmental, social, and governance (ESG) investing, it would be prudent for the Committee to be aware of possible attendance at future meetings.

26. Exclusion of the Press Public

Members received confidential appendices for the report on the Investment and Managers' Performance Review.

RESOLVED: That the appendices be noted and approved.

27. Exclusion of the Press Public

Members received confidential appendices on the Draft Pension Fund Annual Report 2022-2023.

RESOLVED: That the appendices be noted and approved.

28. Exclusion of the Press Public

Members received a confidential report with appendices.

RESOLVED: That the recommendations be approved, with amendments to II and III as agreed at the meeting. Recommendation I be approved as presented.

(Note: The meeting, having commenced at 6.30 pm, closed at 7.40 pm).

(Signed) Councillor David Ashton
Chair

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**REPORT FOR: Pension Fund
Committee**

Date of Meeting:	20 December 2023
Subject:	Audit of Pension Fund Accounts 2021-22
Responsible Officer:	Sharon Daniels – Interim Director of Finance and Assurance
Exempt:	No
Wards affected:	None
Enclosures:	Appendix 1: Pension Fund Annual Report and Accounts 2021-22 Appendix 2: Mazars' Audit Completion Report Update on Events after Reporting Date Appendix 3 – Mazars Audit Previous Completion Report (May 2023) and draft Audit Opinion.

Section 1 – Summary and Recommendations

This report updates the Committee on the outcome of the audit of the Pension Fund Annual Report and Accounts for 2021-22. A representative of Mazars audit team will present their findings to the Committee.

Recommendations:

The Committee is requested to

- review and comment as necessary on the auditor’s report and ask questions of Mazars accordingly
- approve the PF Annual Report and Accounts 2021-22.

Section 2 – Report

1. At its meeting in October 2022, the Committee reviewed and approved the draft Pension Fund Annual Report and Accounts for 2021-22.
2. Since that meeting, the Committee has received regular updates on the progress of the audit and will recall that although the audit was largely complete, and that only a small number of presentational changes were required, the requirement for the auditor to confirm that the PF accounts are consistent with the Council’s main accounts meant that formal sign-off of the PF accounts was delayed. The delays were mainly due to a number of national issues affecting local authority audits more generally.
3. The audit has now been completed, and Mazars reported the outcome to GARMS Committee on 29 November 2023. A representative from Mazars (name to be confirmed) will attend this meeting to present the audit findings and answer Committee members’ questions.
4. The Pension Fund Annual Report and Accounts for 2021-22 are enclosed at **Appendix 1**. The Committee is asked to approve these for publication.
5. As a result of the long delay, an Audit Completion Update covering additional “events after reporting date” has been received from Mazars – this is attached at **Appendix 2**.
6. **Appendix 3** is Mazars’ Audit Completion Report issued in May 2023 and reported to GARMS Committee in July 2023
7. The Committee previously requested that Mazars present their report on the outcome of the audit, and accordingly a representative from Mazars Audit Team will attend the Committee.

Legal Implications

8. There are no direct legal implications arising from this report.
9. The Pension Fund Committee has the following powers and duties:

- i. to exercise on behalf of the Council, all the powers and duties of the Council in relation to its functions as Administering Authority of the LB Harrow Pension Fund (the fund), save for those matters delegated to other Committees of the Council or to an Officer;
- ii. the determination of applications under the Local Government Superannuation Regulations and the Teachers' Superannuation Regulations;
- iii. to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;
- iv. to establish a strategy for the disposition of the pension investment portfolio; and
- v. to appoint and determine the investment managers' delegation of powers of management of the fund.

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 specific financial implications arising from this report.

Risk Management Implications

11. Risks included on corporate or directorate risk register? **No**
Separate risk register in place? **Yes**
12. The Pension Fund's Risk Register is reviewed regularly by both this Committee and by the Pension Board. The most recent was reported to the Committee in July 2023.
13. 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

14. Was an Equality Impact Assessment carried out? **No**
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: Sharon Daniels

Signed by the Chief Financial Officer

Date: 11 December 2023

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 7 December 2023

Chief Officer: Sharon Daniels

Signed on behalf of the Managing Director

Date: 11 December 2023

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

Telephone 020 8736 6552

Background Papers: None

**Appendix Two - London Borough of
Harrow Pension Fund** Annual Report and Financial
Statements for the
year ended 31 March 2022



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INTRODUCTION

The main purpose of the Pension Fund Annual Report is to account for the income, expenditure and net assets of the London Borough of Harrow Pension Fund ('the Fund') for the financial year to 31 March 2022. This Report also explains the administration and management of the Fund and its investment and funding policy objectives and asset allocation, as well as highlighting market and Fund performance.

Information about the economic resources controlled by the Fund is provided by the Net Assets Statement. The actuarial funding level is reported in Note 20 and in the Statement of the Appointed Actuary on page 50/51.

The Pension Fund Committee is responsible for overseeing the management, administration and strategic direction of the Fund. The Committee regularly reviews the Fund's investment strategy seeking to achieve appropriate returns within acceptable risk parameters. This in turn minimises the amount the Council and other employers will need to make in contributions to the Fund to meet future liabilities.

The Fund is a shareholder of the London LGPS Collective Investment Vehicle Ltd (LCIV) (the organisation set up to run pooled LGPS investments in London in 2015) and holds £150,000 of regulatory capital in the company in the form of unlisted UK equity shares. The Pension Fund Committee has committed to investing in LCIV as and when suitable pool investment solutions become available through LCIV and has been active in the transfer of assets under management to LCIV to access new asset classes and to gain efficiencies and fee reductions.

During 2021-22, the Pension Fund Committee continued its review of the Fund's Investment strategy. The realignment of the passive equity holdings managed by Blackrock into a Low Carbon passive equity fund was completed, as was the realignment of the Bond portfolio – which is now divided between passive Index Linked Gilts, Sterling corporate bonds (both managed by Blackrock) and the LCIV Global Bond Fund. A commitment of £50m was made to the LCIV Renewables Infrastructure Fund - of which approximately £13m was drawn down in 2021-22. There were further drawdowns against the earlier commitment to invest £68m of fund assets in the LCIV Infrastructure Fund, a total of £31m being invested at 31 March 2022. Finally, the Committee decided to redeem its Emerging Market Equity Portfolio with GMO, and to invest the proceeds in the LCIV Emerging Market equity Fund. That realignment will be completed in July 2022.

In line with the provisions of the Public Service Pensions Act 2013, the Council set up a Local Pension Board in 2015 to oversee the governance of the Pension Fund. During 2021-22, the Pension Board met four times and considered a range of reports on pension administration performance and pension fund governance arrangements, as well as reviewing four policies before these were adopted by the Committee.

Pension Board and Pension Fund Committee members attended training courses and seminars during the year to meet the knowledge and skills requirements of their respective roles.

Following the introduction of the Markets in Financial Instrument Directive 2014/65 ("MiFID II") with effect from 3 January 2018, the Pension Fund Committee elected to opt up to professional client status with all its fund managers. This status has been maintained in 2021-22.

The net assets of the Fund as at 31 March 2022 were £1,018m compared to £968m as at 31 March 2021. The Fund's overall investment return for the year was 5.7%.



Dawn Calvert - CPFA
Director of Finance and Assurance
13th July 2022

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON
BOROUGH OF HARROW**

SCHEME MANAGEMENT AND ADVISORS

Administering Authority	London Borough of Harrow
Pension Fund Committee	Councillor Nitin Parekh (Chair) Councillor Bharat Thakker (Vice Chair) Councillor Keith Ferry Councillor Norman Stevenson
Independent Advisers	Colin Robertson Richard Romain
Co-optee	Howard Bluston
Trade Union Observers	Vacant - Unison Pamela Belgrave - GMB
Officer	Dawn Calvert, Director of Finance & Assurance
Actuary	Hymans Robertson LLP
Investment Consultant	Aon
Investment Managers	LaSalle Global Partner Solutions BlackRock Investment Management (UK) Limited GMO LLC Insight Investment Pantheon Ventures Record Currency Management Limited London LGPS CIV Ltd
AVC Providers	Clerical Medical Utmost (Previously Equitable Life) Prudential Assurance
Custodian	JP Morgan
Auditor	Mazars
Performance Measurement	Pensions and Investment Research Consultants
Bankers	Natwest PLC

GOVERNANCE ARRANGEMENTS

The Council has delegated to the Pension Fund Committee various powers and duties in respect of its administration of the Fund. The Committee met four times during the year. It comprises four Councillors with full voting rights and a non-voting co-optee. Representatives from the trade unions are able to participate as observers of the Committee but do not have voting rights.

The Pension Fund Committee has the following terms of reference:

- 1) to exercise on behalf of the Council, all the powers and duties of the Council in relation to its functions as Administering Authority of the LB Harrow Pension Fund (the Fund), save for those matters delegated to other Committees of the Council or to an Officer;
- 2) the determination of applications under the Local Government Superannuation Regulations and the Teachers' Superannuation Regulations;
- 3) to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;
- 4) to establish a strategy for the disposition of the pension investment portfolio;
- 5) to appoint and determine the investment managers' delegation of powers of management of the fund;
- 6) to determine cases that satisfy the Early Retirement provision under Regulation 26 of the Local Government Pension Scheme Regulations 1997 (as amended), and to exercise discretion under Regulation 8 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended, subject to the conditions now agreed in respect of all staff, excluding Chief Officers);
- 7) to apply the arrangements set out in (6) above to Chief Officers where the application has been recommended by the Chief Executive, either on the grounds of redundancy, or in the interests of the efficiency of the service, and where the application was instigated by the Chief Executive in consultation with the leaders of the political groups;

The Committee is advised by two independent advisers and an investment consultant.

The dates of the Pension Fund Committee meetings, along with meeting agendas, reports and minutes are available on the Harrow Council website:

<https://moderngov.harrow.gov.uk/ieListMeetings.aspx?CId=1297&Year=0>

In line with the provisions of the Public Service Pensions Act 2013, the Council has set up a Local Pension Board to oversee the governance of the Pension Fund. In particular it oversees:

- a) the effectiveness of the decision-making process
- b) the direction of the Fund and its overall objectives
- c) the level of transparency in the conduct of the Fund's activities
- d) the administration of benefits and contributions

The dates of the Pension Board meetings, along with meeting agendas, reports and minutes are available on the Harrow Council website:

<https://moderngov.harrow.gov.uk/ieListMeetings.aspx?CId=1336&Year=0>

PENSION SCHEME ADMINISTRATION AND PERFORMANCE

Pension Section overview

The Pensions Team acts as the main point of contact for any membership enquiries. The team is responsible for all aspects of Local Government Pension Scheme administration; setting up new members, monitoring and maintenance of pension member records, employer contributions payment of benefits, transfer payments and Additional Voluntary Contributions. The team is also responsible for monitoring and cleansing members' data to ensure it is fit for purpose and meets the requirements imposed on the Fund by the regulators, the Fund Actuary and HMRC. The team produces annual benefits statements, newsletters and maintains the pensions website <https://www.harrowpensionfund.org>

The team of seven staff (6.15 full time equivalents) ensures delivery of a value for money service by managing a caseload with no backlog and meeting performance targets. In 2021-22 all Annual Benefit Statements were issued on time.

Performance Monitoring 2021-22

SERVICE	National Benchmarking Target	Harrow Achievement %
Issue letter notifying of dependent's benefit	5 days	76.47
Calculation and notification of ill health estimate	10 days	100
Calculation and notification of retirement benefits estimate	10 days	95.51
Issue letter to new pension provider detailing transfer-out quote	10 days	98.53
Calculation and notification of deferred benefits	10 days	96.72
Calculation and notification of retirement benefits	5 days	91.67
Process refund and issue payment	5 days	87.50
Calculation and notification of ill health benefits	5 days	90
Issue statutory notification on receipt of transfer funds	10 days	83.33

Pension Board monitors pension administration performance quarterly. There were no reported breaches of law during 2021-22.

The Internal Dispute Resolution Procedure which deals with complaint over the administration of pension benefits by the administering authority. There was one new complaint referred through the internal procedure during the year – this complaint was resolved in June 2022.

The costs of running the Pension Fund are shown below:

Process	2019-20	2020-21	2021-22
Investment management expenses			
Total Cost (£000)	4,050	3,840	3,828
Total Membership (No.)	18,451	18,577	19,003
Sub Cost per member (£)	219	207	201
Administration costs			
Total Cost (£000)	721	713	888
Total Membership (No.)	18,451	18,577	19,003
Sub Cost per member (£)	39	38	47
Oversight & governance costs			
Total Cost (£000)	634	602	615
Total Membership (No.)	18,451	18,577	19,003
Sub Cost per member (£)	34	32	32
Total cost per member (£)	292	277	281

Investment management costs include fund manager fees and the additional costs of fund transition on restructuring and fund re-balancing. The reduction in total management expenses, which has occurred despite the rise in the value of investments during the year, reflects the benefit of fee reductions negotiated by the London Collective Investment Vehicle, as more of the Fund is now invested in the LCIV or in passive funds at rates negotiated by LCIV.

Administration costs cover the administration of pensions and are mainly staff salaries and business overheads including pension payroll and pension system administration costs. The significant increase in 2021-22 reflects the new contract for the Pensions Administration system and the initial licensing fee payable.

Oversight and governance costs include staff salaries for pension fund manager performance monitoring and committee support and external costs for investment advisers, actuarial review and external audit. The increase in these costs in 2021-22 reflected the initial work required for the triennial valuation as at 31 March 2022.

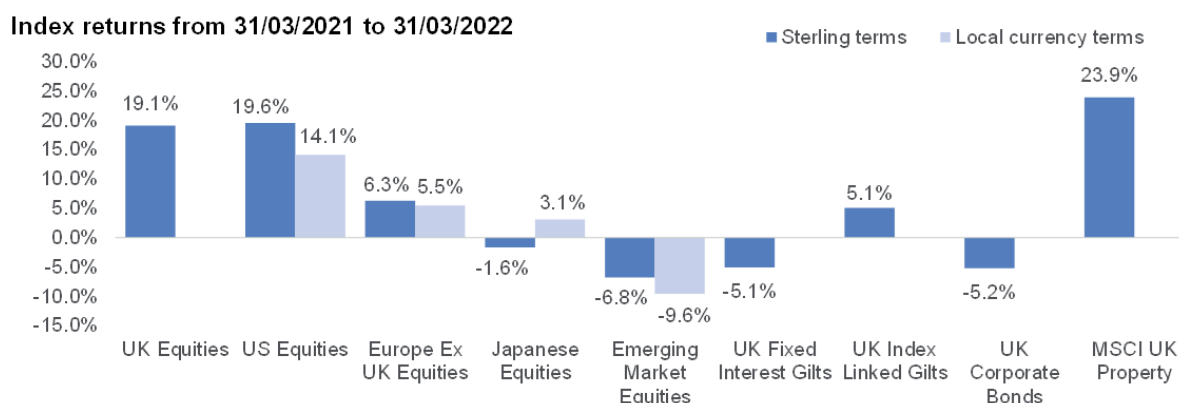
INVESTMENT POLICY AND PERFORMANCE

Investment Market Commentary (provided by Aon, April 22)

- Global equities generated positive returns over the last twelve months. Equities delivered solid returns in 2021, boosted by optimism over Covid-19 vaccine roll-outs, supportive monetary and fiscal policies, and improving economic data. However, markets reversed some of their gains in Q1 2022 as geopolitical risk took centre stage with Russia invading Ukraine. Furthermore, major central banks continued to move forward with normalising monetary policy as inflation rates worldwide rose rapidly.
- The Russian invasion of Ukraine created significant market volatility and economic uncertainty over Q1 2022. G7 sanctions against Russia are likely to slow GDP growth this year and cause further supply chain disruption. While the US has banned Russian oil and gas imports, the picture in Europe is more complicated given its Russian oil and gas dependence. The UK indicated it would phase out Russian oil imports by the end of the year, and the European Union stated that it would reduce dependency on Russian energy by two-thirds this year. Germany also halted approval for the commercial use of Nord Stream 2, their natural gas pipeline sourced from Russia, although Nord Stream 1 remains operational.
- US equities posted the strongest local and sterling returns over the year, helped by their high exposure to large technology companies. After approving a \$1.9tn economic relief package, the US Senate passed a \$1.2tn bipartisan infrastructure bill. However, President Biden's ambitious \$1.75tn "Build Back Better" bill suffered a significant setback after his fellow Democratic Senator, Joe Manchin, opposed the bill due to rising inflation, a surging pandemic, and global uncertainty. In Q1 2022, the US equity market started poorly as inflation concerns led to the expectation of a faster than anticipated tightening of monetary policy, which weighed on the performance of sectors such as Information Technology and Consumer Discretionary. However, Economic data continue to be robust. The US economy added 678,000 jobs in February 2022 (above the previous month's upwardly revised 481,000 jobs) and the unemployment rate fell to 3.8%.
- UK equities were the second-best performing equity market in sterling terms over the last year. The reopening of the global economy bolstered the UK's Energy and Industrials sectors during 2021. However, the UK reported approximately 5 million Covid-19 cases in Q4 2021 due to the newly discovered Omicron variant, dampening equity returns relative to other regions such as the US and Europe over Q4. UK equities rebounded strongly over Q1 due to their tilt towards the Energy and Materials sectors. This performance was driven by fears over the supply of oil and other key commodities impacted by the conflict in Ukraine.
- Emerging markets (EM) were the worst-performing market in local currency and sterling terms over the last twelve months. The rise in interest rates by major central banks resulted in EM returns lagging other markets. State regulatory clampdowns across many of China's corporate sectors, and China's zero-tolerance covid policy causing several Chinese cities to enter strict lockdown dampened economic growth. Russian equities collapsed in price and MSCI and FTSE Russell removed "uninvestable" Russian equities from their widely-tracked emerging markets indices although the weight of Russia is not that large in the equity universe.
- On a global sector level, Energy (43.3%), Health Care (13.7%) and Technology (13.3%) were the best performing sectors in local currency terms. Communication Services (-6.4%) was the worst-performing sector, followed by Consumer Discretionary (-3.9%) and Industrials (4.1%).
- Sterling ended the twelve months 1.1% lower on a trade-weighted basis. In Q4 2021, the Bank of England (BoE) raised its benchmark interest rate by 15bps to 0.25% to combat inflation. In Q1 2022, the BoE increased its benchmark interest by another 50 bps to 0.75%. The expectation of higher interest rates and diminishing Brexit fears had improved sentiment over much of 2021, but the outbreak of war in Ukraine led to significant flows towards the US dollar.
- Brent crude oil prices rose by 69.8% to \$108/BBL over the last twelve months. Economic recovery and a cutback in production over the pandemic supported oil prices. In Q3 2021, OPEC+ reached an agreement to increase crude oil production by 400,000 barrels a day from August until the end of 2022, although this pace disappointed expectations. In the fourth quarter, the momentum in oil prices dropped as Omicron, and resurgent Covid fears surfaced. However, crude oil prices rose sharply during the first quarter as geopolitical tensions due to the Russia-Ukraine war further exacerbated supply fears.
- Yields fell in Q2 2021 as variant virus risks and worries over a slower pace of global economic recovery arose. Nominal yields then picked up once more over the third quarter of 2021, driving the negative performance of UK fixed-interest government bonds. Yields rose on the back of brought-forward interest rate hike

expectations against the background of rising inflation and central bank indications of policy rate increases. However, longer-dated yields briefly fell back in Q4 2021 due to heightened uncertainty surrounding Omicron. Short-dated yields later began to factor in potential monetary policy changes and saw notable increases. In Q1 2022, yields rose strongly across maturities due to expectations of future rate hikes. Overall, according to FTSE All-Stocks indices, UK fixed-interest gilts fell by 5.1%, whilst index-linked gilts rose by 5.1% over the last twelve months. Index-linked gilts significantly outperformed nominal gilts due to increased breakevens driven by expectations of more persistent inflation.

- Credit markets declined over the past twelve months. UK investment-grade credit spreads (the difference between corporate and government bond yields), based on the iBoxx Sterling Non-Gilt Index, widened by 24bps to 130bps.
- UK commercial property returned 23.9% over the period, supported by an income return of 5.1% and an 18.0% increase in capital values. The easing of lockdown restrictions helped the retail sector as it returned 20.8% over the year. Meanwhile, the office sector returned 6.7% over the year, whilst industrials continued to outperform with a return of 42.3%.



Source: FactSet, MSCI (Equities, Property), iBoxx (Corporate Bonds), FTSE (Gilts)

Investment Policy

The objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The sums required to fund these benefits and the amounts actually held (i.e. the funding position) are reviewed at each triennial actuarial valuation, or more frequently as required.

The assets of the Fund are invested with the primary objective of being to achieve a return that is sufficient to meet the funding objective, subject to an appropriate level of risk and liquidity. Over the long-term it is expected that the Fund's investment returns will be at least in line with the assumptions underlying the actuarial valuation.

Related objectives are to seek to minimise the level and volatility of employer contributions necessary to meet the cost of pension benefits.

The Council has delegated the management of the Fund's investments to professional investment managers, appointed in accordance with the Local Government Pension Scheme Regulations. Their activities are specified in either detailed investment management agreements or subscription agreements and regularly monitored. The Committee is satisfied that the appointed fund managers, all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business, have sufficient expertise and experience to carry out their roles.

The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either

directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks, including currency fluctuations.

The Committee aims to achieve its investment objective by maintaining a high allocation to growth assets, mainly equities, reflecting the security of the sponsor's covenant, the funding level, the long time horizon of the Fund and the projected asset class returns and volatility. Diversifying investments reduces the risk of a sharp fall in one particular market having a substantial impact on the whole Fund.

The cumulative cost of pooling for the Pension Fund to 31 March 2022 is £0.614m paid to the London CIV for annual service charges and development funding

The following table compares the actual asset allocation as at 31 March 2022 to the agreed allocation

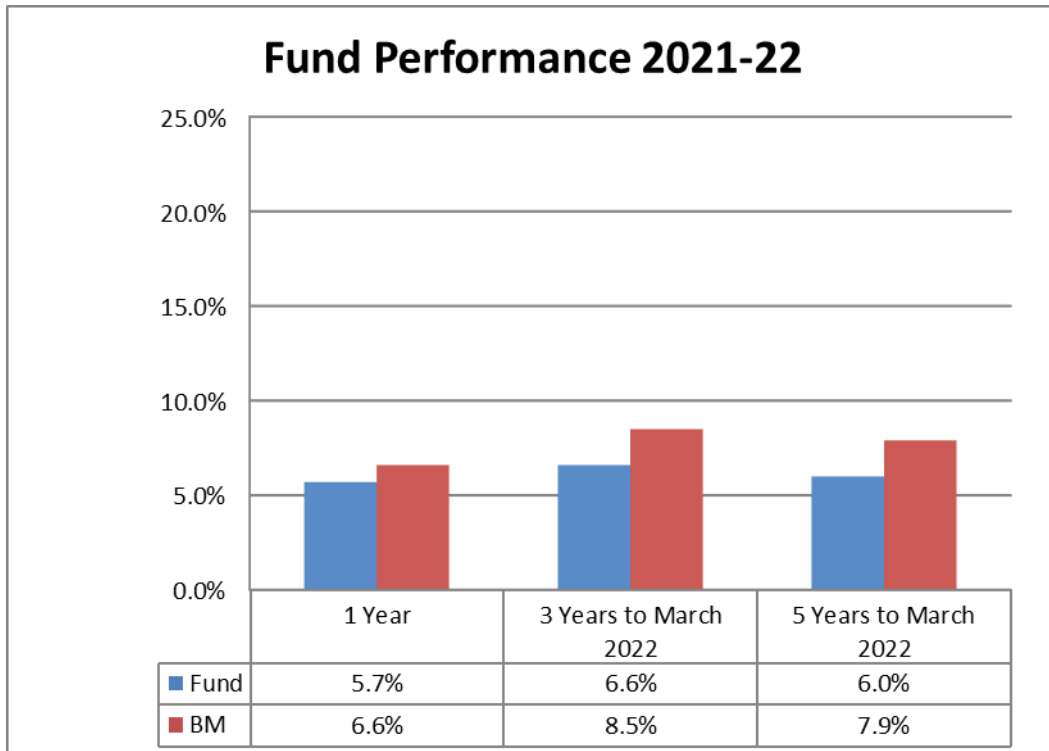
Investment assets	Actual Percentage of Fund	Agreed Allocation
	%	%
Global equities-passive	26	24
Developed world equities-active	20	18
Emerging markets equities-active	7	8
Fixed interest securities	5	5
Global Bonds	5	5
Index linked securities	4	5
Private equity	1	1
Cash	2	0
Forward currency contracts	(0)	0
Diversified growth funds	9	5.5
Multi Asset Credit	10	10
Pooled property	7	6
Infrastructure	4	12.5
Total	100	100

The investment style is to appoint fund managers with appropriate performance benchmarks and place maximum accountability for performance against that benchmark with them. The Fund's managers are appointed to give diversification of investment approach and spread of risk. The fund managers appointed are mainly remunerated through fees based on the value of assets under management. Private equity managers are remunerated through fees based on commitments and through performance related fees.

Fund performance

The Fund uses Pensions and Investment Research Consultants (PIRC) as its independent investment performance measurement consultant.

Investment returns over 1, 3, and 5 years at 31st March 2022 are shown below.



The Fund's return of 5.7% during 2021-22 reflected the more modest growth in asset prices in the year, following the return of 24.9% in the previous year. The previous year's figure was an outlier reflecting the recovery in asset values from the "low point" of 31 March 2021 which was in turn the result of a significant fall in asset prices experienced during the last two months of 2019-20 as the Covid-19 pandemic impacted across all asset classes. Since March 2020, asset prices have increased to a level above their "pre-pandemic" level, although they have fallen back from their peak in December 2021.

Although the Fund, in common with all other LGPS funds, has its own unique benchmark and investment strategy, over the medium term it is reasonable to compare performance with other funds.

STATEMENTS AND PUBLICATIONS

Governance Compliance Statement

The Local Government Pension Scheme Regulations 2013, Regulation 55 requires all administering authorities to produce a Governance Compliance Statement. This Statement must set out whether the Administering Authority delegates its function and, if so, what the terms, structure and operation of the delegation are. The Administering Authority must also state the extent to which a delegation complies with guidance given by the Secretary of State. The current Statement was agreed by the Pension Fund Committee on 24 March 2021 and can be found as Appendix 1.

<https://www.harrowpensionfund.org/resources/governance-compliance-statement-march-2021/>

Communications Policy Statement

The Local Government Pension Scheme Regulations 2013, Regulation 61 requires all administering authorities to produce a Communications Policy Statement. This statement sets out the Fund's strategy for communicating with members, members' representatives, prospective members and employing authorities, together with the promotion of the Scheme to prospective members and their employing authorities. The current Statement was agreed by the Pension Fund Committee on 24 March 2021 and can be found as Appendix 2.

<https://www.harrowpensionfund.org/resources/communications-policy-statement-march-2021/>

Funding Strategy Statement

Regulation 58 of the Local Government Pension Scheme (Administration) Regulations 2013 requires all administering authorities to produce a Funding Strategy Statement. The purpose of the Funding Strategy Statement is to explain the funding objectives of the Fund, in particular:

- How the costs of the benefits provided under the LGPS are met through the Fund;
- The objectives in setting employer contribution rates; and
- The funding strategy that is adopted to meet these objectives.

The Funding Strategy Statement is reviewed every three years at the same time as the triennial actuarial valuation of the Fund. An interim review of the Statement may be carried out and a revised Statement published if there has been a material change in the policy matters set out in the Statement or there has been a material change to the Investment Strategy Statement. The current Statement as approved by the Pension Fund Committee on 18 December 2019, and was updated to reflect the changes in Regulations which came into force in March 2020. It can be found as Appendix 3.

<https://www.harrowpensionfund.org/resources/funding-strategy-statement-march-2020/>

Investment Strategy Statement

Regulation 7(1) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires an administering authority to formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State.

This Statement provides details of the Fund's investment policies including:

- The suitability of particular investments;
- The choice of asset classes, and
- Approach to risk.

The Statement also details the Fund's compliance with the six principles set out in the Chartered Institute of Public Finance and Accountancy's publication 'Investment Decision Making and Disclosure in the Local Government Pension Scheme 2009 – a guide to the application of the 2008 Myners Principles to the management of LGPS Funds'.

The current Statement as approved by the Pension Fund Committee on 13 September 2021 can be found as Appendix 4.

<https://www.harrowpensionfund.org/resources/investment-strategy-statement-september-2021/>

Local Government Pension Scheme Guide

A brief guide to the Local Government Pension Scheme can be found as Appendix 5

<https://www.harrowpensionfund.org/resources/brief-guide-to-the-lgps-2021/>

RISK MANAGEMENT

The Fund's primary long term risk is that the assets will fall short of its liabilities (i.e. promised benefits payable to members). The Pension Fund Committee is responsible for managing and monitoring risks and ensuring that appropriate risk management processes are in place and are operating effectively. The aim of risk management is to limit risks to those that are expected to provide opportunities to add value.

The most significant risks faced by the Fund and the procedures in place to manage these risks are described below:

Governance and Regulatory Risk

The failure to exercise good governance and operate in line with regulations can lead to financial as well as reputation risk. These risks are managed through:

- Decisions are taken by the Pension Fund Committee in the light of advice from the Investment Advisers and Investment Consultant and from officers;
- Regular reviews of the Investment Strategy Statement and Funding Strategy Statement that set out the high level objectives of the Fund and how these will be achieved;
- Tailored training for members;
- Reviews of the Pension Fund Committee agenda and papers by Harrow's Legal Department; and.
- Establishment of the Pension Board.

Sponsor Risk

The Fund was in deficit at the 2019 triennial valuation. Strong investment performance since that date suggests that the position has improved, although this may not be the same for all employers. However, as the scheme is open to future accrual, the key objective is to be fully funded in the future. The Actuary reviews the required level of contributions every three years, with the next review being carried out as at 31 March 2022. To protect the Fund and the Administering Authority, bonds and other forms of security are required from some of the Admitted employers.

Investment Risk

The Fund is invested in a range of asset classes as detailed in Note 14 to the accounts. This is done in line with The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which require pension funds to invest any monies not immediately required to pay benefits. These Regulations require the formulation of an Investment Strategy Statement which sets out the Fund's approach to investment including the management of risk. The largest asset class is listed equities, which has both a greater expected return and volatility than the other main asset classes. Potential risks affecting investments include:

Pricing Risk

The valuation of investments is constantly changing, impacting on the potential realisation proceeds and income. For example, the value of the Fund's investments decreased in value by 8.1% in 2019-20, largely due to the Covid-19 pandemic in the last quarter of the year, increased by 24.9% in 2020-21. Changes of a similar magnitude are possible in future, and this risk cannot be eliminated.

Procedures in place to manage the volatility of investments include:

- Diversification of the investments between asset classes, economic sectors and geographical areas to include equities, fixed interest and index linked bonds, property, multi assets mandates and private equity. The investment strategy is reviewed by the Pension Fund Committee and market conditions are reviewed to monitor performance at every meeting to determine if any strategic action is required;
- Global equities are managed by three active managers with different styles and one passive manager to reduce the risk of underperformance against benchmarks. The Investment Adviser provides quarterly reports on the performance and skills of each manager to the Pension Fund Committee; and
- The benefit liabilities are all Sterling based and to reduce the currency risk from non-Sterling investments, 50% of the overseas currency exposures are hedged to Sterling.

Liquidity Risk

Investments in some asset classes e.g. private equity, property and infrastructure, can be illiquid in that they cannot be realised at short notice. Around 12% of Harrow's Funds are in illiquid assets. This is deemed appropriate for the fund even though it has a slightly negative Cashflow. All cash balances are managed in accordance with the Council's Treasury Management Strategy Statement and are all currently readily accessible without notice.

Counterparty Risk

The failure by a counterparty, including an investee company, can lead to an investment loss. This risk is mainly managed through wide diversification of counterparties and also through detailed selection of counterparties by external fund managers.

Actuarial Risk

The value of the liability for future benefits is affected by changes in inflation, salary levels, life expectancy and expected future investment returns. Although there are opportunities to use financial market instruments to manage some of these risks, the Pension Fund Committee does not currently believe these to be appropriate. Changes to the benefits structure in 2014 had reduced some of these risks, although the recent "McCloud Judgement" is likely to have an adverse impact. These risks are all monitored through the actuarial valuation process and additional contributions required from employers should deficits arise.

Operational Risk

Operational risk relates to losses (including error and fraud) from failures in internal controls relating to investment managers and internally e.g. administration systems.

Controls at external fund managers are monitored through the receipt of audited annual accounts for each manager together with annual assessments of the control environment including reviews of internal controls reports certified by reporting auditors.

Controls within the Administering Authority are reviewed by Harrow's Internal Audit Team.

INTERNAL CONTROLS

To mitigate the risks regarding investment management, the Council obtains independent internal controls assurance reports from the reporting accountants of the relevant Investment manager.

These independent reports are prepared in accordance with international standards. Any weaknesses in internal control highlighted by the controls assurance reports are reviewed and reported to the Pension Committee.

The results of the latest reviews are summarised below.

Fund Manager	Type of report	Assurance obtained	Reporting Accountant
Blackrock Inv Man UK Ltd	ISAE 3402	Reasonable assurance	Deloitte LLP
GMO LLC	AT-C 320 (SOC)	Reasonable assurance	PWC LLP
Oldfield Partners	AAF 01/06	Reasonable assurance	Deloitte LLP
Pantheon Ventures	ISAE 3402	Reasonable assurance	KPMG LLP
LaSalle Global Partner Sols	ISAE 3402/AAF 01/06	Reasonable assurance	PWC LLP
Insight Investments	ISAE 3402/SSAE 18	Reasonable assurance	KPMG LLP
Record Currency Man Ltd	ISAE 3402/AT-C 320	Reasonable assurance	RSM Risk Assurance Services LLP
LCIV MAC Fund	Internal Controls Report	Reasonable assurance	Deloitte LLP
LCIV Global Equity Focus Fund	Internal Controls Report	Reasonable assurance	EY
LCIV Infrastructure	Internal Controls Report	Reasonable assurance	EY

CONTACTS

Registered Address	Pensions Team London Borough of Harrow 3rd Floor South Wing, Civic Centre, Station road, Harrow, HA1 2XF
Administration Enquiries	Email : Pension@harrow.gov.uk Telephone Number: 020 8424 1186 Website: www.harrowpensionfund.org
Complaints and Advice	The Money and Pension Service 120 Holborn London EC1N 2TD Pensions Help line: 01159 659570 Website: www.moneyandpensionservice.org.uk The Pensions Regulator Telephone Number: 0345 600 1011 Website: www.thepensionsregulator.gov.uk The Pensions Ombudsman 10 South Colonnade Canary Wharf London E14 4PU Telephone Number: 0800 917 4487 Email: enquiries@pensions-ombudsman.org.uk Website: www.pensions-ombudsman.org.uk
Tracing Service	The Pension Tracing Service Telephone Number: 0800 731 0193 Website: www.gov.uk/find-pension-contact-details

STATEMENT OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Harrow, that officer is the Director of Finance and Assurance;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- To approve the Financial Statements.

The Director of Finance and Assurance's Responsibilities

The Director of Finance and Assurance is responsible for the preparation of the Fund's Statement of Accounts in accordance with proper practices set out in the CIPFA Code of Practice on Local Authority Accounting.

In preparing this Statement of Accounts, the Director of Finance & Assurance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice on Local Authority Accounting;
- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that these Financial Statements present fairly the financial position of the London Borough of Harrow Fund of the Local Government Pension Scheme as at 31 March 2022 and its income and expenditure for the year then ended.



Dawn Calvert – CPFA
Director of Finance and assurance
13th July 2022

Harrow Pension Fund Account as at 31 March 2022

2020-21		Notes	2021-22
£'000			£'000
	Dealings with members, employers and others directly involved in the fund		
(34,661)	Contributions	7	(36,058)
(2,027)	Transfers in from other pension funds	8	(3,066)
(89)	Other income		(33)
(36,777)			(39,157)
35,592	Benefits	9	36,974
3,908	Payments to and on account of leavers	10	6,141
0	Other Expenditure		0
39,500			43,115
2,723	Net (additions)/withdrawals from dealings with members		3,958
5,155	Management expenses	11	5,331
7,878	Net (additions)/withdrawals including fund management expenses		9,289
	Return on investments		
(6,745)	Investment income	12	(7,030)
(191,359)	(Profit)/losses on disposal of investments and changes in the market value of investments	14A	(52,286)
(198,104)	Net return on investments		(59,316)
(190,226)	Net (increase)/decrease in the net assets available for benefits during the year		(50,027)
(777,758)	Opening net assets of the scheme		(967,984)
(967,984)	Closing net assets of the scheme		(1,018,011)

Net Assets Statement as at 31 March 2022

31 March 2021 £'000	Notes	31 March 2022 £'000
Investment assets		
933,374	Investments 14	996,706
9,083	Derivative contracts 14	1,191
20,675	Cash with investment managers 14	17,004
963,132		1,014,901
4,399	Cash deposits 14	7,288
967,531		1,022,189
Investment liabilities		
(947)	Derivative contracts 14	(5,232)
966,584		1,016,957
1,662	Current assets 21	2,154
140	Long Term Debtors 21A	140
968,386		1,019,251
(402)	Current liabilities 22	(1,240)
967,984	Net assets of fund available to fund benefits at the period end	1,018,011

The accounts summarise the transactions of the Fund and deal with the net assets. The Fund's financial statements do not take account of liabilities to pay pensions and other benefits which fall due after the end of the Fund year. The actuarial present value of promised retirement benefits is disclosed at note 20.

D. Calvert

Dawn Calvert – CPFA
Director of Finance & Assurance
13th July 2022

Notes to the Harrow Pension Fund Accounts for the year ended 31 March 2022

NOTE 1: DESCRIPTION OF FUND

The Harrow Pension Fund ('the Fund') is part of the Local Government Pension Scheme ("LGPS") and is administered by the London Borough of Harrow. The Council is the reporting entity for the Fund.

a) General

The Scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme designed to provide pensions and other benefits for pensionable employees of the Council and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Harrow Pension Fund Committee, which is a committee of the Council.

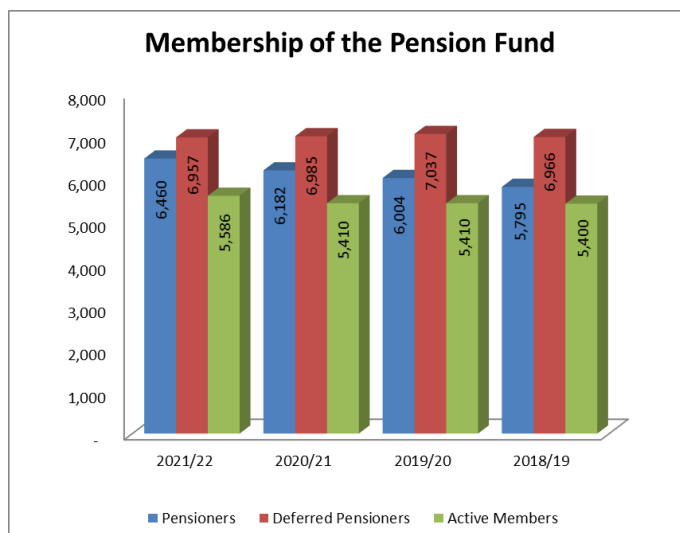
b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the Scheme, remain in the Scheme or make their own personal arrangements outside the Scheme.

Organisations participating in the Fund include the following:

- **Scheduled bodies:** These are the local authority and similar bodies whose staff, are automatically entitled to be members of the Fund.
- **Admitted bodies:** These are other organisations that participate in the Fund under an admission agreement. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing.

There are 44 employer organisations within the Harrow Pension Fund including the Council itself, as detailed below.



Employer	Status	Pensioners	Deferred	Actives	Total	%
Harrow Council	Scheduled Body	6011	5741	3574	15,326	80.64
Nower Hill	Scheduled Body	38	143	168	349	1.83
Stanmore College	Scheduled Body	99	153	92	344	1.80
Heathland and Whitefriars	Scheduled Body	19	86	190	295	1.54
Hatch End High	Scheduled Body	36	131	77	244	1.28
Rooks Heath	Scheduled Body	27	98	115	240	1.26
Park High	Scheduled Body	15	84	116	215	1.13
Canons High	Scheduled Body	17	80	112	209	1.10
Bentley Wood	Scheduled Body	12	90	68	170	0.89
Harrow High	Scheduled Body	17	59	80	156	0.82
St Dominics 6th form college	Scheduled Body	45	33	54	132	0.69
Aylward Primary School	Scheduled Body	9	32	76	117	0.62
Pinner High School	Scheduled Body	3	8	104	115	0.61
Priestmead School	Scheduled Body	4	6	93	103	0.54
Salvatorian Academy	Scheduled Body	21	51	17	89	0.47
St Georges Primary	Scheduled Body	5	5	78	88	0.46
St John Fisher	Scheduled Body	3	8	60	71	0.37
St Josephs Primary	Scheduled Body	4	4	62	70	0.37
Welldon Park School	Scheduled Body	3	5	56	64	0.34
Earlsmead Academy	Scheduled Body	7	11	37	55	0.29
Alexandra Academy	Scheduled Body	5	16	30	51	0.27
Sacred Heart High School	Scheduled Body	2	6	35	43	0.23
Avanti House Secondary School	Scheduled Body	0	4	38	42	0.22
St Bernadettes	Scheduled Body	7	5	30	42	0.22
St Jerome	Scheduled Body	1	2	38	41	0.22
Krishna Avanti Academy	Scheduled Body	0	16	18	34	0.18
Jubilee Academy	Scheduled Body	0	16	16	32	0.17
Avanti House Primary School	Scheduled Body	1	11	18	30	0.16
Avanti School Trust	Scheduled Body	0	2	7	9	0.05
Hujjat Primary School	Scheduled Body	0	0	7	7	0.04
NLCS	Community Admission Body	43	46	47	136	0.72
Evergreen	Admitted Body	0	0	19	19	0.10
ISS Catering	Admitted Body	3	1	11	15	0.08
SOS Ltd	Admitted Body	0	0	7	7	0.04
Brayborne Facilities Services	Admitted Body	0	0	6	6	0.03
SOS Longfield	Admitted Body	0	0	5	5	0.03
Wates (Linbrook)	Admitted Body	1	0	4	5	0.03
Evergreen Harrow High	Admitted Body	1	0	4	5	0.03
PSC Ltd	Admitted Body	0	0	4	4	0.02
PSC Roxeth	Admitted Body	0	0	4	4	0.02
PSC Vaughan	Admitted Body	0	0	3	3	0.02
Govindas	Admitted Body	0	3	2	5	0.03
Evergreen Aylward	Admitted Body	1	0	2	3	0.02
Evergreen LBH	Admitted Body	0	1	2	3	0.02
		6,460	6,957	5,586	19,003	100

c) Funding

Full-time, part-time and casual employees, where there is a mutuality of obligation and who have a contract of more than three months, are brought into the Fund automatically but have the right to “opt out” if they so wish. Casual employees with no mutuality of obligation are not eligible for membership.

Employee contribution rates are set by regulations and are dependent upon each member’s full time equivalent salary. Employee contributions attract tax relief at the time they are deducted from pay.

Employers participating in the Fund pay different rates of contributions depending on their history, their staff profile and any deficit recovery period agreed with the Fund. Employer contribution rates are reviewed as part of the triennial actuarial valuation. The last valuation took place as at 31 March 2019 and showed that the Fund was 94% funded. The deficit is to be recovered by additional employer contributions over the course of 20 years.

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employee contributions are matched by employers’ contributions which are set based on triennial actuarial funding valuations. Currently almost all, employer contribution rates fall within the range 18.0% to 26.5% of pensionable pay with the largest employers paying between 19.3% and 20.1%.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below.

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump Sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up

From 1 April 2014, the Scheme became a career average (CARE) scheme, whereby members accrue benefits based on their pensionable pay in each year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits. For more details, refer to the ‘Brief Guide to the Local Government Pension Scheme’ attached as Appendix 5.

NOTE 2: BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2021-22 financial year and its position as at 31 March 2022. The Accounts have been prepared on a going concern basis in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2021-22' issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based on International Financial Reporting Standards as amended for the UK public sector.

The Accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The Accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund account – Revenue Recognition

a) Contributions income

Normal contributions, both from the members and from employers, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the financial year to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the Fund actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years, if significant, are classed as long term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with The Local Government Pension Scheme Regulations 2013 (see notes 8 and 10).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase Scheme benefits are accounted for on a receipts basis and are included in transfers in (see note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

- i) Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.
- ii) Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net asset statement as a current financial asset.
- iii) Changes in the net market value of investments are recognised as income and comprise all realised and unrealised gains/losses during the year.

Fund account – Expense items

a) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

b) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense if it arises.

c) Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interest of greater transparency, the Fund discloses its Pension Fund management expenses in accordance with CIPFA's *Accounting for Local Government Pension Scheme Management Expenses (2016)*.

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the Pension's Administration Team are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and recharged as expenses to the Fund.

Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs relating to the oversight and governance of the Fund's investments are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and recharged as expenses to the Fund.

Investment management expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the values of these investments change

Where an investment manager's fee invoice or fee information has not been received by the balance sheet date an estimate based on the market value of their mandate as at the end of the year is used for inclusion in the Fund account in 2021-22.

Net Assets Statement

a) Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of an asset are recognised in the Fund account.

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (See note 16). For the purposes of disclosing levels of fair value hierarchy, the fund had adopted the classification guidelines recommended in '*Practical Guidance on Investment Disclosures (PRAG/Investment association, 2016)*'

The Fund became a shareholder in the London LGPS CIV Ltd (the organisation set up to run pooled LGPS investments in London) in 2015 and holds £150,000 of regulatory capital in the form of unlisted UK equity shares.

b) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. (See note 15). Derivatives are used by the Fund to reduce its exposure to the risk of fluctuations in currency values in its global equity portfolio. They are valued on the basis of the change in the relative values of sterling and the currency being hedged between the point at which the derivatives were purchased and the balance sheet date.

c) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers and custodians.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

d) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date with the exception of current liabilities. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund. Current Liabilities are shown at amortised cost - given the short-term nature of these liabilities there are unlikely to be any gains or losses arising from these before settlement.

e) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on an annual basis by the Fund actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20).

f) Additional Voluntary Contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed Prudential Assurance, Clerical Medical and Utmost (Previously Equitable Life) as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically intended for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4 (1)(b) of the Local Government Pension Scheme (Management and Investments of Funds) Regulations 2016 but are disclosed as a note only (Note 23)

g) Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

h) Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

i) Accounting Standards Issued but not yet fully adopted

The following accounting policy changes are not yet reflected in the 2021-22 Code of Practice. They are not therefore reflected in the Pension Fund Statement of Accounts:

- IFRS 16 Leases (replaces IAS 17) will be implemented on 1st April 2024;
- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.
- Property, Plant and Equipment – Proceeds before intended use (Amendments to IAS16)

These changes in accounting standards are in our view unlikely to have a material impact on the Pension Fund accounts and might be subject to change

NOTE 4: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Pension Fund liability

The net Pension Fund liability is calculated every three years by the appointed actuary with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in notes 19 and 20.

These actuarial revaluations are used to set the future employer contribution rates and underpin the Fund's most significant management policies.

Unquoted private equity investments

It is important to recognise the subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors.

NOTE 5: ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are

made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the net assets statement at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: <ul style="list-style-type: none"> • a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £23.4m • a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £1.6m • a 0.1% increase in Pension benefits would increase the liability by approximately £21.6m
Private equity (Note 16C)	Private equity investments are valued at fair value in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines</i> . These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private equity investments are valued at £5.4m in the financial statements. There is a risk that this investment may be under or overstated in the accounts.
Fair value – basis of valuation (Note 16)	In March 2020, the outbreak of Covid-19 had a significant impact on global financial markets. This fall in asset prices/values was more than offset by the subsequent recovery during 2020 and 2021. However, there has been a fall back in 2022 to date, due in part to geopolitical events (the Russian invasion of Ukraine and its impact on commodity prices) and their knock-on effect on inflation. As at the valuation date, it is considered that less weight can be attached to previous market evidence to inform opinions of value on level 3 investments. Consequently, less certainty and a higher degree of caution should be attached to level 3 valuations. At the current time, it is still not possible to predict accurately the long term impact of Covid-19 on property investments in some locations and sectors of the economy.	Any reduction in investment values will result in a reduction in the Fund's net asset position.
Pooled Property Fund	Revaluation of Pension Fund assets within the pooled property funds are undertaken by the asset managers using professional valuers as set out in the fund agreements. For 2020/21, following the impact of Covid-19 on global markets, our fund managers advised that valuations were reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book, meaning that less weight could be applied to previous market evidence to inform opinions of value. Consequently, less certainty – and a higher degree of caution – was attached to valuations of pooled property fund assets than would normally be the case. They have not applied the same caveat to the valuations reported as at 31 March 2022.	The total property pooled investments in the financial accounts are £71.33m. There is a risk that these investments may be understated or overstated in the accounts.

NOTE 6: EVENTS AFTER THE REPORTING DATE

These are events that occur between the end of the reporting period and the date when the financial statements are authorised for issue that provide new information about conditions that did not exist as of the balance sheet date. There were no material events after the reporting date for 2021-22 for which the accounts have been adjusted.

The valuation of the Pension Fund's investment assets will fluctuate from time to time as a result of economic factors and market movements. Since March 2022, global investment markets have been volatile for a number of reasons. As a result, the value of the Fund's investment assets had fallen from £1018.011million at 31 March 2022 to £950.884million at 30 November 2022 (a fall of 6.6%). However, the Fund's actuary advises that the impact of the increase in Gilt yields in the same period is likely to have reduced the Fund's liabilities significantly. Furthermore, the Fund is an "open" pension scheme, which means it has a long time horizon before many of its liabilities will fall due for payment. Therefore, the change in asset valuations is treated as a non-adjusting post balance sheet event.

NOTE 7: CONTRIBUTIONS RECEIVABLE

By category

2020-21		2021-22
£'000		£'000
(7,402)	Employees' contributions	(7,659)
	Employers' contributions:	
(18,995)	Normal contributions	(19,646)
(8,192)	Deficit recovery contributions	(8,564)
(72)	Pension strain contributions	(189)
(27,259)	Total employers' contributions	(28,399)
(34,661)	Total contributions receivable	(36,058)

By type of employer

2020-21		2021-22
£'000		£'000
(26,336)	Administering Authority	(27,028)
(7,385)	Scheduled bodies	(7,765)
(796)	Community admission body	(746)
(144)	Transferee admission bodies	(519)
(34,661)		(36,058)

NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

2020-21		2021-22
£'000		£'000
0	Group transfers	(2,499)
(2,027)	Individual transfers	(567)
(2,027)		(3,066)

NOTE 9: BENEFITS PAYABLE

By category

2020-21		2021-22
£'000		£'000
30,791	Pensions	31,640
4,097	Commutation and lump sum retirement benefits	4,672
704	Lump sum death benefits	662
35,592		36,974

By type of employer

2020-21		2021-22
£'000		£'000
33,505	Administering Authority	34,367
1,711	Scheduled bodies	2,214
313	Community admission body	250
63	Transferee admission bodies	143
35,592		36,974

NOTE 10: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2020-21		2021-22
£'000		£'000
43	Refunds to members leaving service	54
228	Group transfers	2,350
3,637	Individual transfers	3,737
3,908		6,141

NOTE 11: MANAGEMENT EXPENSES

2020-21		2021-22
£'000		£'000
713	Administrative costs	888
3,840	Investment management expenses	3,828
602	Oversight and governance costs	615
5,155		5,331

NOTE 11A: INVESTMENT MANAGEMENT EXPENSES

2021-22	Total	Management Fees	Other Fees
		£'000	£'000
Pooled Investments - Equities	1,773	1,735	38
Pooled Investments - Alternatives	948	937	11
Pooled Investments - Other	1,034	963	71
Derivatives	63	63	0
Custodian	10	10	0
	3,828	3,708	120

The Fund does not pay any of its investment managers through performance fee arrangements.

2020-21	Total	Management Fees	Other Fees
		£'000	£'000
Pooled Investments - Equities	2,012	1,767	245
Pooled Investments - Alternatives	926	848	78
Pooled Investments - Other	841	771	70
Derivatives	51	51	0
Custodian	10	0	10
	3,840	3,437	403

NOTE 12: INVESTMENT INCOME

2020-21		2021-22
£'000		£'000
(2,899)	Pooled Investments - Private equity	(2,975)
(859)	Pooled Investments - Property	(1,712)
(2,987)	Pooled investments - Other	(2,343)
(6,745)		(7,030)

NOTE 13: EXTERNAL AUDIT COSTS

2020-21		2021-22
£'000		£'000
(19)	Payable in respect of external audit	(16)
(19)		(16)

NOTE 14: INVESTMENTS

Market value		Market value
31 March 2021		31 March 2022
£'000		£'000
	Investment assets (Pooled)	
525,161	Pooled equities investments	541,760
122,361	Pooled bonds investments	135,362
201,053	Pooled alternative investments	197,553
16,099	Pooled infrastructure	45,180
61,561	Pooled property investments	71,330
926,235		991,185
	Investment assets (Other)	
150	Equity in London CIV	150
6,989	Private equity	5,371
9,083	Derivative contracts: forward currency	1,191
20,675	Cash with investment managers	17,004
963,132		1,014,901
4,399	Cash deposits	7,288
967,531	Total investment assets	1,022,189
	Investment liabilities	
(947)	Derivative contracts: forward currency	(5,232)
(947)	Total investment liabilities	(5,232)
966,584	All investments	1,016,957

NOTE 14A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market value 31 March 2021	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Net change in market value during the year	Market value 31 March 2022
	£'000	£'000	£'000	£'000	£'000
Investment assets					
Pooled equities investments	525,161	235,605	(267,409)	48,403	541,760
Pooled bonds investments	122,361	101,876	(80,730)	(8,145)	135,362
Pooled alternative investments	201,053	101,512	(112,309)	7,297	197,553
Pooled property investments	61,561	0	(448)	10,217	71,330
Pooled infrastructure	16,099	25,582	0	3,499	45,180
Equity in London CIV	150	0	0	0	150
Private equity	6,989	0	(273)	(1,345)	5,371
Derivative contracts	8,136	3,571	(8,108)	(7,640)	(4,041)
	941,510	468,146	(469,277)	52,286	992,665
Cash with investment managers	20,675				17,004
Cash deposits	4,399				7,288
	25,074				24,292
Net investment assets	966,584				1,016,957

	Market value 31 March 2020	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Net change in market value during the year	Market value 31 March 2021
	£'000	£'000	£'000	£'000	£'000
Investment assets					
Pooled equities investments	394,247	68,000	(75,447)	138,361	525,161
Pooled bonds investments	111,463	2,937	(70)	8,031	122,361
Pooled alternative investments	171,230	0	(4,271)	34,094	201,053
Pooled property investments	64,140	0	(258)	(2,321)	61,561
Pooled infrastructure	700	16,227		(828)	16,099
Equity in London CIV	150	0		0	150
Private equity	8,025	0	(303)	(733)	6,989
Derivative contracts	(4,760)	6,069	(7,928)	14,755	8,136
	745,195	93,233	(88,277)	191,359	941,510
Cash with investment managers	28,153				20,675
Cash deposits	2,641				4,399
	30,794				25,074
Net investment assets	775,989				966,584

NOTE 14B: INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31 March 2021	Percentage of Fund	Manager	Investment assets	Market value 31 March 2022	Percentage of Fund
£'000	%			£'000	%
Investments managed by London CIV					
120,618	12	LCIV	Developed world equities-active	127,495	13
101,226	10	LCIV	Multi asset credit	0	0
0	0	LCIV	Alternative credit fund	103,777	10
67,238	7	LCIV	Sustainable equities	73,314	7
16,099	2	LCIV	Infrastructure funds	45,180	4
0	0	LCIV	Global bond fund	46,816	5
247,574	26	BlackRock	Global equities - passive	269,113	26
552,755	57		Total LCIV	665,695	65
Investments managed outside of the London CIV					
61,561	6	LaSalle	Pooled property	71,330	7
12,726	1	BlackRock	Cash with investment managers	11,027	1
97,538	10	BlackRock	Bonds - fixed interest	46,463	5
24,823	3	BlackRock	Bonds - index-linked active	42,083	4
4,399	1	Cash Deposits	Cash with Banks	7,288	0.5
89,731	9	GMO	Emerging markets equities-active	71,838	7
99,827	10	Insight	Diversified growth fund	93,776	9
7,949	1	JP Morgan	Cash with investment managers	5,977	0.5
150	0	LCIV	UK equities-passive	150	0
6,989	1	Pantheon	Private equity	5,371	1
8,136	1	Record	Forward currency contracts	(4,041)	(0)
413,829	43		Total - Managers	351,262	35
966,584	100		Total Investments	1,016,957	100

NOTE 14C: INVESTMENTS MORE THAN 5% of the net assets of the Fund:

Market value 31 March 2021	% of total fund	Investment assets	Market value 31 March 2022	% of total fund
£'000			£'000	
247,574	26	Blackrock Equity Beta Portfolio	269,113	26
97,538	10	BlackRock Institutional Bond Fund - Corp Bond 10 yrs	46,463	5
89,731	9	GMO Emerging Domestic Opportunities Equity Fund	71,838	7
99,827	10	Insight Broad Opportunities Fund	93,776	9
61,561	6	LaSalle Investors UK Real Estate Fund of Funds	71,330	7
120,618	12	LCIV Global Equity Focus Fund	127,495	13
101,226	10	LCIV Multi Asset Credit	0	0
0	0	LCIV Alternative Credit Fund	103,777	10
67,238	7	LCIV Sustainable Equity Fund	73,314	7
0	0	LCIV Global bond fund	46,816	5
885,313	90	Total over 5% holdings	903,922	89

NOTE 14D: STOCK LENDING

Within the Investment Strategy Statement stock lending is permitted within pooled funds. At present, use of this facility is restricted to the Blackrock Portfolio.

The Blackrock lending programme covers equity and fixed income assets around the world and is designed to generate incremental returns for investors with appropriate risk controls.

The programme benefits from a counterparty default indemnity from Blackrock pursuant to its Securities Lending Authorisation Agreement

Value of Stock on Loan as at 31 March 2022 £25.9m (7.25%) compared to £24.4m (6.60%) as at 31 March 2021.

NOTE 15: ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund has a passive currency programme in place managed by Record Currency Management Limited. The Fund hedges 50% of the exposure in various developed world currencies within the equities portfolio.

Analysis of Open forward currency contracts:-

Settlement	Currency bought	Local value	Currency sold	Local value	Asset value	liability value
		000		000	£'000	£'000
Up to one month	CHF	7,201	GBP	(5,914)	32	
One to six months	GBP	2,433	AUD	(4,244)	7	
One to six months	GBP	5,842	CAD	(9,569)	22	
Over six months	GBP	25,543	EUR	(29,670)	346	
One to six months	GBP	5,045	HKD	(51,712)	20	
Over six months	GBP	10,912	JPY	(1,662,200)	491	
One to six months	GBP	726	NOK	(8,249)	10	
One to six months	GBP	109	NZD	(205)	0	
One to six months	GBP	2,810	SEK	(34,259)	13	
One to six months	GBP	907	SGD	(1,612)	2	
Over six months	GBP	86,414	USD	(113,445)	241	
Up to one month	JPY	765,400	GBP	(4,785)	7	
Up to one month	AUD	4,244	GBP	(2,429)		(8)
Up to one month	CAD	9,569	GBP	(5,843)		(22)
Up to one month	EUR	14,979	GBP	(12,695)		(32)
One to six months	GBP	2,287	AUD	(4,244)		(135)
One to six months	GBP	5,552	CAD	(9,569)		(268)
One to six months	GBP	11,778	CHF	(14,402)		(140)
One to six months	GBP	241	EUR	(288)		(2)
Over six months	GBP	12,646	EUR	(14,979)		(69)
One to six months	GBP	4,930	HKD	(51,712)		(86)
Over six months	GBP	4,820	JPY	(765,400)		(8)
One to six months	GBP	692	NOK	(8,249)		(25)
One to six months	GBP	103	NZD	(205)		(5)
One to six months	GBP	249	SEK	(3,077)		(2)
One to six months	GBP	883	SGD	(1,612)		(22)
One to six months	GBP	5,416	USD	(7,323)		(147)
Over six months	GBP	162,875	USD	(219,567)		(3,943)
Up to one month	HKD	51,712	GBP	(5,037)		(20)
One to six months	JPY	65,700	GBP	(420)		(9)
Over six months	JPY	65,700	GBP	(421)		(9)
Up to one month	NOK	8,249	GBP	(727)		(10)
Up to one month	NZD	205	GBP	(109)		(0)
Up to one month	SEK	18,668	GBP	(1,529)		(7)
Up to one month	SGD	1,612	GBP	(907)		(2)
Up to one month	USD	113,445	GBP	(86,440)		(261)
Open forward currency contracts at 31 March 2022					1,191	(5,232)
Net forward currency contracts at 31 March 2022						(4,041)
Prior year comparative						
Open forward currency contracts at 31 March 2021					9,083	(947)
Net forward currency contracts at 31 March 2021						8,136

NOTE 16: FAIR VALUE – BASIS OF VALUATION

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the most appropriate price available at the reporting date.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments including pooled funds for global equities, corporate and UK index linked bonds and diversified growth funds	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Market quoted investments including pooled funds for global equities and diversified growth funds	Level 1	Published market price or other value ruling on the final day of the accounting period	Not required	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year end.	Exchange rate risk	Not required
Pooled Investments - Alternative Credit / Bonds	Level 2	Fixed income securities are priced based on evaluated prices provided by Independent pricing services	Fixed income securities are priced based on evaluated prices provided by Independent pricing services	Not required
Pooled investments - property funds	Level 3	Closing bid price where bid and offer prices are published	Net Asset Value-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Pooled investments - Infrastructure	Level 3	Valued by Fund Managers	Manager valuation statements are prepared in accordance with ECVA guidelines	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation (2012)	EBITDA multiple, Revenue multiple, Discount for lack of marketability, Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

Sensitivity of assets valued at Level 3

The Fund has determined that the sensitivity of the level 3 investments should be at the level determined by independent advisers for equity investments generally. Set out below is the consequent potential impact on the closing value of investments held at 31 March 2022 using data provided by PIRC.

	Assessed valuation range (+/-)	Valuation at 31 March 2022	Value on increase	Value on decrease
		£000	£000	£000
Private Equity	6.52%	5,371	5,722	5,021
Pooled investments - Infrastructure	7.03%	45,180	48,357	42,004
Pooled investments - property funds	4.10%	71,330	74,255	68,406
		121,881	128,334	115,431

	Assessed valuation range (+/-)	Valuation at 31 March 2021	Value on increase	Value on decrease
		£000	£000	£000
Private Equity	7.47%	6,989	7,511	6,467
Pooled investments - Infrastructure	7.11%	16,099	17,243	14,954
Pooled investments - property funds	2.20%	61,561	62,913	60,209
		84,649	87,667	81,630

NOTE 16A: FAIR VALUE HIERARCHY

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3

Assets and liabilities at level 3 are those where at least one input that could have significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Pooled equities investments	541,760			541,760
Pooled bonds investments	88,546	46,816		135,362
Pooled alternative investments	93,776	103,777		197,553
Pooled property investments			71,330	71,330
Pooled infrastructure			45,180	45,180
Private equity			5,371	5,371
Derivative contracts: forward currency		(4,041)		(4,041)
Cash Deposits / Other	24,292	150		24,442
Total	748,374	146,702	121,881	1,016,957

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Pooled equities investments	525,161			525,161
Pooled bonds investments	122,361			122,361
Pooled alternative investments	99,827	101,226		201,053
Pooled property investments			61,561	61,561
Pooled infrastructure			16,099	16,099
Private equity			6,989	6,989
Derivative contracts: forward currency		8,136		8,136
Cash Deposits / Other	25,074	150		25,224
Total	772,423	109,512	84,649	966,584

NOTE 16B: TRANSFERS BETWEEN LEVELS 1 AND 2

None

NOTE 16C: RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Period 2021/22	Market Value 31 March 2021	Transfers into level 3	Transfers out of level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Gains/ (losses)	Market Value 31 March 2022
	£000	£000	£000	£000	£000	£000	£000
Private Equity	6,989	0	0	0	(273)	(1,345)	5,371
Pooled - Infrastructure	16,099	0	0	25,582	0	3,499	45,180
Pooled - property	61,561	0	0	0	(448)	10,217	71,330
	84,649	0	0	25,582	(721)	12,371	121,881

Period 2020/21	Market Value 31 March 2020	Transfers into level 3	Transfers out of level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Gains/ (losses)	Market Value 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
Private Equity	8,025	0	0	0	(303)	(733)	6,989
Pooled - Infrastructure	700	0	0	16,227	0	(828)	16,099
Pooled - property	64,140	0	0	0	(258)	(2,321)	61,561
	72,865	0	0	16,227	(561)	(3,882)	84,649

NOTE 17: FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

31 March 2021			31 March 2022		
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
Financial assets					
525,161	0	0	541,760	0	0
122,361	0	0	135,362	0	0
201,053	0	0	197,553	0	0
16,099	0	0	45,180	0	0
61,561	0	0	71,330	0	0
150	0	0	150	0	0
6,989	0	0	5,371	0	0
9,083	0	0	1,191	0	0
0	26,109	0	0	25,676	0
0	767	0	0	910	0
942,457	26,876	0	997,897	26,586	0
Financial liabilities					
(947)	0	0	(5,232)	0	0
0	0	(402)	0	0	(1,240)
(947)	0	(402)	(5,232)	0	(1,240)
941,510	26,876	(402)	992,665	26,586	(1,240)
967,984			1,018,011		
Grand Total			Grand Total		

NOTE 18: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet its forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. The Committee reviews the Fund's risk register on a regular basis.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equities holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Price risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund's investment managers mitigate this price risk through diversification.

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's advisers, the Council has determined that the following movements in price risk are reasonably possible.

Assets type	Potential market movements (+/-) %
Equities	14.10
Bonds	7.90
Alternatives	7.00
Pooled Property	4.10
Private Equity	6.50

Had the market price of the Fund investments increased/decreased in line with the above the change in the net assets available to pay benefits would have been as follows:

Asset type	Value as at 31 March 2022	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Investment portfolio assets:				
Pooled equities investments	537,719	14.10	613,538	461,901
Pooled bond investments	135,362	7.90	146,056	124,669
Pooled alternative investments	197,553	7.00	211,382	183,724
Pooled property investments	71,330	4.10	74,255	68,406
Private Equity	5,371	6.50	5,721	5,022
Pooled Infrastructure	45,180	7.00	48,343	42,018
Equity - London CIV	150	0.00	150	150
Total	992,665		1,099,445	885,890

Asset type	Value as at 31 March 2021	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Investment portfolio assets:				
Pooled equities investments	533,297	14.20	609,025	457,569
Pooled bond investments	122,361	7.70	131,783	112,939
Pooled alternative investments	201,053	7.10	215,328	186,778
Pooled property investments	61,561	2.20	62,915	60,207
Private Equity	6,989	7.50	7,513	6,465
Pooled Infrastructure	16,099	7.10	17,242	14,956
Equity - London CIV	150	0.00	150	150
Total	941,510		1,043,956	839,064

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Council recognises that interest rates can vary and can affect both income to the Fund and the carrying value of Fund assets, both of which affect the value of the net assets available to pay benefits

The Fund's direct exposure to interest rate movements as at 31 March 2022 and 31 March 2021 and the impact of a 1% movement in interest rates are as follows:

Assets exposed to interest rate risk	Carrying amount as at 31 March 2022	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000		£'000	£'000
Cash and cash equivalents	24,292	0	24,292	24,292
Fixed interest securities	46,463	465	46,928	45,998
Global bond fund	46,816	468	47,284	46,348
Total change in assets available	117,571	933	118,504	116,638

Assets exposed to interest rate risk	Carrying amount as at 31 March 2021	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000		£'000	£'000
Cash and cash equivalents	25,074	0	25,074	25,074
Fixed interest securities	97,538	975	98,513	96,562
Total change in assets available	122,612	975	123,587	121,636

This analysis demonstrates that changes in interest rates do not impact on the value of cash and cash equivalents balances but do affect the fair value on fixed interest securities.

Changes in interest rates affect interest income received on cash balances but have no effect on income from fixed income securities.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on its global equities pooled fund investments, some of which are denominated in currencies other than Sterling. To mitigate this risk, the Fund uses derivatives and hedges 50% of the overseas equity portfolio arising from the developed market currencies.

Following analysis of historical data in consultation with the Fund's advisers the Council considers the likely volatility associated with foreign exchange rate movements to be 7.2%

A 7.2% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available as follows.

The Fund is now invested in the LCIV Global Bond. The underlying manager hedges currency exposure within its mandate.

Currency Exposure - asset type	Asset Value as at 31 March 2022	Change to net assets	
		Value on increase	Value on decrease
		+7.2%	-7.20%
	£'000	£'000	£'000
Overseas Pooled Equities	516,310	553,484	479,136

Currency Exposure - asset type	Asset Value as at 31 March 2021	Change to net assets	
		Value on increase	Value on decrease
		+7.1%	-7.1%
	£'000	£'000	£'000
Overseas Pooled Equities	496,012	531,229	460,795

Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions. However the selection of high quality counterparties, brokers and financial institutions by Fund managers should minimise the credit risk that may occur.

Cash deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's Treasury Management investment criteria

The Council believes it has managed its exposure to credit risk and has had no experience of default or uncollectable deposits over the past five years.

The Fund's cash holding at 31 March 2022 was £24.3m (31 March 2021: £25.1m). This was held with the following institutions.

Summary	Rating	Balances at 31 March 2021	Balances at 31 March 2022
		£'000	£'000
Bank accounts			
Royal Bank of Scotland	A+ (Fitch)	4,399	7,288
JP Morgan	Aa1 (Moody's)	7,949	5,977
BlackRock	AAAmf (Fitch)	12,726	11,027
		25,074	24,292

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments.

The Council has immediate access to its Pension Fund cash holdings.

The Fund considers liquid assets to be those that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2022 the value of illiquid assets was £121.9m. This represented 11.98% of the total Fund assets (31 March 2021: £84.6m).

Refinancing risk

The Pension Fund does not have any financial instruments that have a refinancing risk.

NOTE 19: FUNDING ARRANGEMENTS

In line with The Local Government Pension Scheme Regulations 2013, the Fund's Actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022. The next valuation takes place as at 31 March 2025.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers).
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

At the 2022 actuarial valuation, the Fund was assessed as 96% funded (94% at the March 2019 valuation). This corresponded to a deficit of £39m (2019 valuation: £52m).

Contribution increases for some employers are being phased in over the 3 years' ending 31 March 2026.

Individual employers' rates vary depending on the demographic and actuarial factors particular to each employer.

The valuation of the Fund has been undertaken using the projected unit method under which the salary for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were as follows:

Financial assumptions

Other financial assumptions	2016	2019	2022
	%	%	%
Price inflation (CPI)	2.1	2.3	2.7
Salary increases	2.4	3.0	3.7
Pension increases	2.1	2.3	2.7
Funded basis discount rate	3.8	4.3	4.4

Demographic assumptions

The life expectancy assumptions are based on the Fund's Hymans Robertson's Vita Curves in line with the CMI 2021 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.5% p.a.

The average future life expectancy at age 65 based on the Actuary's Fund-specific mortality review is as follows:

	Male	Female
Current pensioners	22.0	24.3
Future pensioners (assumed to be aged 45)	23.1	26.3

Commutation assumption

It is assumed that 50% of future retirees will elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 and 75% for service from 1 April 2008.

NOTE 20: ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future

In order to assess the value of the benefits on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19). The actuary has also valued ill health and death benefits in line with IAS 19.

31 March 2021		31 March 2022
£m		£m
(1,556)	Present value of promised retirement benefits	(1,502)
967	Fair value of scheme assets	1,017
(589)	Net Liability	(485)

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2022 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

IAS19 Assumptions used

	2020-21	2021-22
	% pa	% pa
Inflation/pensions increase rate assumption	2.9	3.2
Salary increase rate	3.6	3.9
Discount rate	2.0	2.7

NOTE 21: CURRENT ASSETS

31 March 2021		31 March 2022
£'000		£'000
	Short Term Debtors:	
561	Contributions due - employers	768
66	Sundry debtors	2
1,035	Cash owed to Fund	1,384
1,662		2,154

NOTE 21A: LONG TERM DEBTORS

31 March 2021		31 March 2022
£'000		£'000
140	Lifetime Tax Allowances	140
140		140

NOTE 22: CURRENT LIABILITIES

31 March 2021		31 March 2022
£'000		£'000
(119)	Sundry creditors	(191)
0	Transfer values	(752)
(283)	Benefits payable	(297)
(402)		(1,240)

NOTE 23: ADDITIONAL VOLUNTARY CONTRIBUTIONS

Market value 31 March 2021		Market value 31 March 2022
£'000		£'000
2,676	Prudential Assurance	2,681
617	Clerical Medical	577
237	Utmost (Previously Equitable Life)	237
3,530		3,495

NOTE 24: AGENCY SERVICES

There were no payments of this type

NOTE 25: RELATED PARTY TRANSACTIONS

Harrow Council

The Fund is required under IAS24 to disclose details of material transactions with related parties. The Council is a related party to the Pension Fund. Details of the contributions made to the Fund by the Council and expenses refunded to the Council are set out below.

The Pension Fund has operated a separate bank account since April 2011. However, to avoid any undue cost to the Fund some minor transactions continue to be processed through the Council's bank account. These are reconciled monthly, and settlement of any outstanding balance is adjusted when the Council pays its contributions to the fund.

31 March 2021		31 March 2022
£'000		£'000
(20,663)	Employer's Pension Contributions to the Fund	(21,187)
908	Administration expenses paid to the Council	1,078
1,035	Cash held by the Council	1,384

Governance

Each member of the Pension Fund Committee is required to declare their interests at each meeting.

NOTE 25A: KEY MANAGEMENT PERSONNEL

The key management personnel of the fund are the Councils' Director of Finance & Assurance (S151 Officer) and the Pension Fund Manager.

Total remuneration payable from the Pension Fund to these key management personnel is set out below:

31 March 2021		31 March 2022
£'000		£'000
105	Short-term benefits	112
0	Termination benefits	0

NOTE 26: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2022 totalled £77.8m (31 March 2021: £53.3m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held by Pantheon Ventures and commitments in the LCIV Infrastructure Fund and LCIV Renewable Infrastructure Fund.

NOTE 27: CONTINGENT ASSETS

One admitted body employer in the Fund holds an insurance bond/guarantee to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

London Borough of Harrow Pension Fund (“the Fund”) Actuarial Statement for 2021/22

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS), dated March 2020. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still at least a 72% likelihood that the Fund will return to full funding over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund’s assets, which at 31 March 2019 were valued at £851 million, were sufficient to meet 94% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £52 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers’ contributions for the period 1 April 2020 to 31 March 2022 were set in accordance with the Fund’s funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	4.3%
Salary increase assumption	3.0%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.0 years	24.3 years
Future Pensioners*	23.1 years	26.3 years

*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but over most of 2020/21 and 2021/22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values as at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 is likely to be better than that reported at the previous formal valuation as at 31 March 2019.

It is important to note that the formal triennial funding valuation exercise is as at 31 March 2022 and this may show a different picture when the finalised position is disclosed in next year's annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation exercise.



Laura McInroy FFA

24 June 2022

For and on behalf of Hymans Robertson LLP

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Governance, Audit, Risk Management and Standards
Committee
Harrow Council
Civic Centre
Harrow
HA1 2XY

Direct line: +44 (0)7977 261 873

Email: suresh.patel@mazars.co.uk

Date: 10 November 2023

Dear Governance, Audit, Standards and Risk Management Committee Members,

London Borough of Harrow Pension Fund audit of financial statements 2021-22 Conclusion of pending matters

Following on from our attendance at the July 2023 Committee meeting and as required by International Standards on Auditing (UK and Ireland), we are writing to confirm matters arising that were marked as outstanding within our Audit Completion Report.

The outstanding matters and the conclusions reached are:

Matter	Update / Conclusion reached
Events after the reporting date	<p>We reported in our audit completion report that we would continue to review the 'events after the reporting date' disclosures up to the point at which the audit opinion is signed.</p> <p>Due to the prolonged nature of the audit, the Council have been required to amend their 'events after the reporting date' disclosures.</p> <p>We have performed sufficient appropriate audit procedures to gain assurance that the disclosures are appropriate and free from material misstatement.</p>
File closure procedures	<p>We reported in our audit completion report that we would be required to complete file closedown procedures. We have received the required management letter of representation and have since been able to close our file with respect to our audit opinion on the financial statements.</p>
IAS26 – Present value of promised retirement benefits	<p>We reported in our audit completion report that because of the national pensions issue, work surrounding the required disclosures was ongoing.</p> <p>We have since completed this work, resulting in one amendment to disclosure note 20 in the accounts.</p>

As a result of the additional procedures required in response to the difficulties encountered during the audit, we have provided a schedule of our revised fees for 2021/22 in Appendix A. We will be seeking

Mazars LLP

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agreement with the Interim Director of Finance and Assurance prior to submitting to PSAA for their approval.

If you wish to discuss the points above, or any other points then please do not hesitate to contact me.

Yours faithfully,

Suresh Patel

For and on behalf of Mazars LLP

Appendix A: Fee schedule

Area of work	2020/21 agreed fees	2021/22 fees
Planned fee - Code of Audit Practice	£16,170	£16,170
Additional fees in respect of additional work in respect of:		
1. Level 3 investment assets	£4,534	£6,358
2. IAS19 assurances	£2,800	£5,108
3. Membership data testing	-	£9,400
Total fees	£23,504	£37,035

Commentary on the additional work:

1. Level 3 investments required additional audit focus and attention in light of the absence of published corroborative information.
2. We are required to carry out additional work to provide assurance to the auditor of the Council in respect of pensions and IAS19.
3. As we have reported to GARMS considering the timing of the most recent triennial valuation we were required to carry out testing on the completeness of the Council's membership data and test a sample of members data to provide assurance to the auditor of the Council.

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Appendix Four B

Audit Completion Report

London Borough of Harrow Pension Fund
– Year ended 31 March 2022

For the GARMS meeting 5 July 2023



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- 02 Status of the audit
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- 04 Significant findings
- 05 Summary of misstatements

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Appendix A: Draft management representation letter

Appendix B: Draft audit report

Appendix C: Draft consistency report

Appendix D: Independence and fees

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.



Governance, Audit, Risk Management and Standards Committee
London Borough of Harrow Council
Civic Centre
Station Road
Harrow
HA1 2XY

21st June 2023

Dear Committee Members

Harrow Pension Fund - Audit Completion Report – Year ended 31 March 2022

We are pleased to present our Audit Completion Report for the year ended 31 March 2022. The purpose of this document is to summarise our audit conclusions on the audit of the Harrow Pension Fund.

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 19 July 2022. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

I 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 07977 261873.

Yours faithfully

Suresh Patel
Mazars LLP

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01

Section 01:

Executive summary

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1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2021/22 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;

• Valuation of investments within level 3 of the fair value hierarchy; and

• Data migration from SAP to D365.

Misstatement and internal control recommendations

We have no internal control recommendations and in Section 05 we report no audit misstatements and a small number of disclosure amendments.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2022.

At the time of preparing this report, the significant matters remaining outstanding as outlined in section 2. On 1 April 2023, the Council received the latest triennial review from its actuaries, which provides more up to date data for 31 March 2022 present value of promised retirement benefits. These values are likely to be materially

different to the estimated values used for the draft accounts. Auditors cannot place any reliance on the new triennial valuation until we have carried out audit procedures on the membership data that supports the valuation and they have appropriate assurance over the other assumptions applied by the actuary. This matter is currently being worked through. We will provide the Committee a verbal update. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

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



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



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 the 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

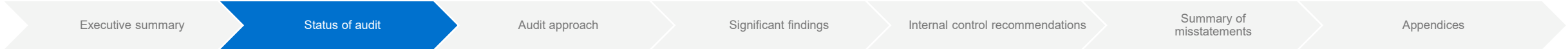
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2. Status of the audit

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
File closure procedures		We are currently completing our file review which includes engagement partner review. This process continues until the point of signing the accounts. Following this, our file close down procedures will include agreement and completion of management's letter of representations and completion of a consistency review with the Council financial statements. The Council statements are yet to be finalised.
Events after the reporting period		Review of events after the reporting period, up to the point at which we sign our audit opinion.
IAS26 – Present value of promised retirement benefits		As outlined on page 2, there is a national issue impacting pensions. We are continuing to liaise with management on the issue and any potential impact for the audit opinion.

-  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**

763

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in July 2022. 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 £9.7m using a benchmark of 1% of net assets available to pay benefits. We set a provisional specific materiality for the fund account of £7.7m at the planning stage of the audit using a benchmark of 10% of the higher of benefits payable or contributions receivable.

Our final assessment of materiality, based on the final financial statements and qualitative factors was set using the same benchmarks:

- Statement materiality £10.1m.
- Fund account specific materiality £3.6m.

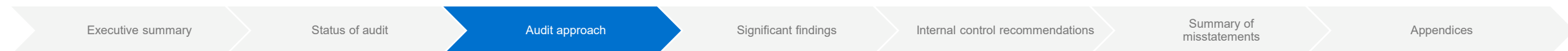
Reliance on internal audit

We have not placed any reliance on the work performed by the Authority's internal audit function. We have reviewed the functions work programme for the year and used this to inform and confirm our own risk assessment.

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 did not use any experts.



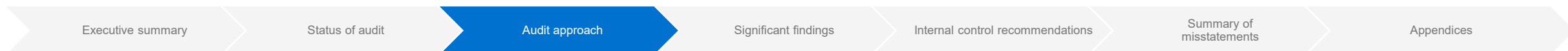
3. Audit approach

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.

(78)

Items of account	Provider	Planned audit approach	Implemented 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 to the Pension Fund	Work was performed in line with our planned procedures
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.	Work was performed in line with our planned procedures
Investment valuations and income and all related disclosures	Custodians	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.	Direct confirmation from custodians is a supplementary procedure, where others alone are not sufficient. Our other procedures were sufficient so confirmations from custodians were not required.



04

Section 04: **Significant findings**

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1791

4. Significant findings

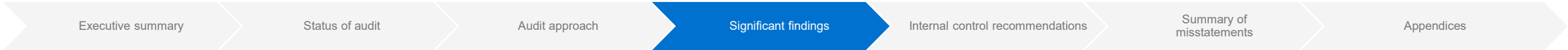
In this section we outline the significant findings from our audit. These findings include:

- 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. 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

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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>How we addressed this risk</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	<p>Audit conclusion</p> <p>We have no significant findings to report as a result of our work on transactions outside the normal course of business and journals made in preparation of the financial statements.</p>



4. Significant findings

2813	<p>Valuation of investments within level 3 of the fair value hierarchy</p>	<p>Description of the risk</p> <p>As at 31 March 2021, the Pension Fund held investments which were not quoted on an active market with a fair value of £84.7 million, accounting for 8.8% 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>How we addressed this risk</p> <p>We addressed this risk by completing the following additional procedures:</p> <ul style="list-style-type: none"> • agreeing holdings from fund manager reports to the financial statements; • agreeing the valuation to supporting documentation including investment manager valuation statements and cashflows for any adjustments made to the investment manager valuation; • agree the investment manager valuation to audited accounts or other independent supporting documentation, where available; and • where audited accounts are available, check that they are supported by a clear opinion.
		<p>Audit conclusion</p> <p>We have no significant findings to report as a result of our work on level 3 investment assets.</p>

<p>Data migration from SAP to D365</p>	<p>Description of the risk</p> <p>During 2021/22, Harrow Council has undertaken an accounting system migration from SAP to D365. In October 2021, the nominal ledger, accounts receivable and accounts payable functions were closed in SAP and became managed via Dynamics365 (D365). Payroll migrated in April 2022.</p> <p>There is a risk that the migration will not capture all data held in the prior system. The omission of such data could ultimately lead to material misstatement within the financial statements. The implementation of a new system also poses a significant risk to the integrity and validity of the Pension Fund's financial reporting if change management processes are not robust and the new system is not correctly tested and implemented.</p> <p>There is a further risk the migration leads to a loss of data and accounting records during transfer. Such a loss of data may result in a risk that during the audit, we are unable to obtain sufficient and appropriate third party evidence to support transactions entered into by the Pension Fund.</p>
	<p>How we addressed this risk</p> <p>We addressed this risk by completing the following additional procedures:</p> <ul style="list-style-type: none"> • Reviewing the Council's reconciliation of old system closing balances to the new system opening balances; • Engaging internal IT specialists to perform tailored work around data migration process undertaken by the Council.
	<p>Audit conclusion</p> <p>We have no significant findings to report as a result of our work on the data migration from SAP to D365.</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 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Fund's circumstances. Draft accounts were received from the Fund on 19 July 2022 and were of a good quality.

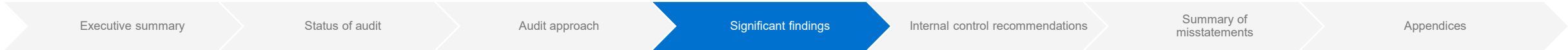
Significant matters discussed with management

We discussed the following significant matters with management:

- Disclosures relating to investment assets included within the financial statements;
- The work being done by the Council (and by extension the Pension Fund) on the transfer of data between SAP and D365 financial systems; and
- The national issue in relation to IAS19 and IAS26 pension valuations.

Significant difficulties during the audit

During the audit we encountered significant difficulties with respect to obtaining fund manager investment valuation documentation and confirmations. We note we had the full co-operation and assistance of management in resolving the issue.



05

Section 05:

Summary of misstatements

1835

6. Summary of misstatements

Unadjusted and adjusted misstatements

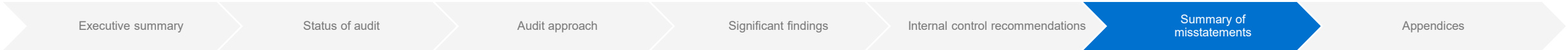
This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £305k. We identified no unadjusted or adjusted misstatements.

Disclosure amendments

This section outlines significant disclosure amendments identified during the course of the audit. During the audit we identified the following issues that the Pension Fund amended in the final set of financial statements:

1. In line with the code, in note 20 of the financial statements, The Pension Fund is required to disclose the present value of promised future retirement benefits, calculated in line with IAS26. In the draft accounts the Pension Fund included the incorrect figure. This was further updated to address the national pensions issue, to reflect data available as a result of the 31 March 2022 triennial valuation exercise.
2. In line with the code, in note 16 of the financial statements, The Pension Fund is required to disclose key information in relation to the basis of valuation of investment assets held at fair value. A small number of adjustments were required to ensure the final version of the financial statements was compliant with the code.

2845



Appendices

A: Draft management representation letter

1857 Draft audit report

C: Draft consistency report

D: Independence

E: Other communications

Appendix A: Draft management representation letter

Mazars LLP
30 Old Bailey
London
EC4M 7AU

Dear Suresh

London Borough of Harrow Pension Fund - audit for year ended 31 March 2022

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 2022 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 2021/22 (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.

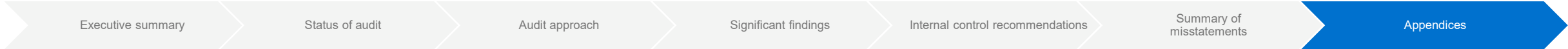
My responsibility for the financial statements and accounting information

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.



Appendix A: Draft management representation letter

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.

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

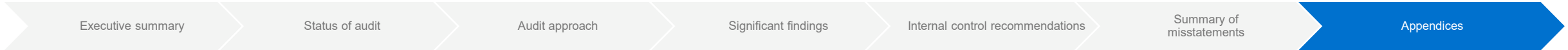
Contingencies

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.



Appendix A: Draft management representation letter

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.

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:

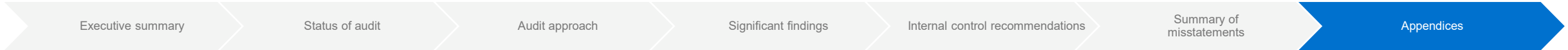
(88) all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;

- 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.



Appendix A: Draft management representation letter

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.

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.

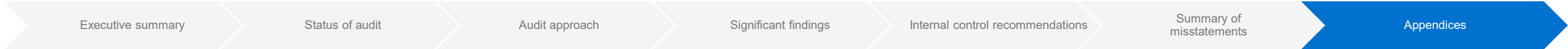
Subsequent events

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.

Other matters

I can confirm in relation to the following matters that:

- COVID-19 - we have assessed the impact of the COVID-19 Virus pandemic on the Pension Fund and the financial statements, including the impact of mitigation measures and uncertainties, and are satisfied that the financial statements and supporting notes fairly reflect that assessment.
- We confirm that we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the subsequent events note to the financial statements fairly reflects that assessment.
- We confirm that we have considered the implications of the global banking crisis, including the impact of mitigation measures and uncertainties, and are satisfied that the financial statements and supporting notes fairly reflect that assessment.
- We confirm we have considered the treatment of items or probable and potential expenditure notified to us by external parties in line with the accounting standards for contingent liabilities and provisions.



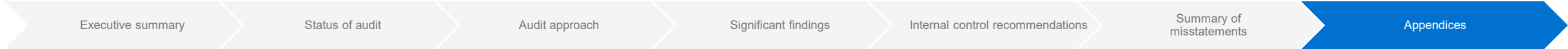
Appendix A: Draft management representation letter

Going concern

To 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
Date



Appendix C: Draft consistency report

Independent auditor’s report to the members of London Borough of Harrow Council

Report on the audit of the financial statements

Opinion on the financial statements of London Borough of Harrow Pension Fund

We have audited the financial statements of London Borough of Harrow Pension Fund (‘the Pension Fund’) for the year ended 31 March 2022, 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 2021/22.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2022, and the amount and disposition of the Pension Fund’s assets and liabilities as at 31 March 2022; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

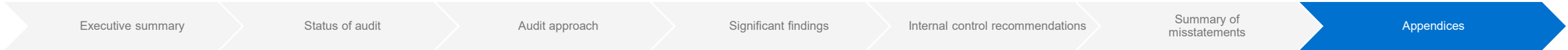
Basis for opinion

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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance and Assurance’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance and Assurance with respect to going concern are described in the relevant sections of this report.



Appendix B: Draft audit report

Other information

The Director of Finance and Assurance is responsible for the other information. The other information comprises the Annual Governance Statement and 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.

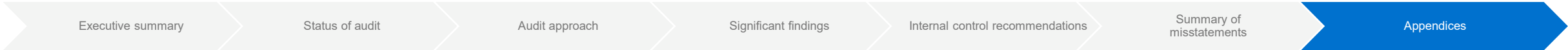
Responsibilities of the Director of Finance and Assurance for the financial statements

As explained more fully in the Statement of the Director of Finance and Assurance’s Responsibilities, 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 2021/22, 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 2021/22 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 its 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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Pension Fund, we identified that the principal risks of non-compliance with laws and regulations related to the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

We evaluated the Director of Finance and Assurance's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

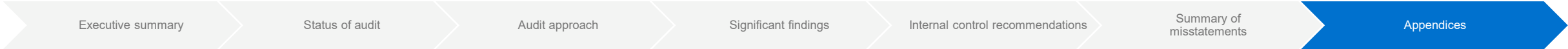
Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to :

- discussing with management and the Governance, Audit, Risk Management and Standards Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Fund which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to :

- making enquiries of management and the Governance, Audit, Risk Management and Standards Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Governance, Audit, Risk Management and Standards Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.



Appendix B: Draft audit report

We are also required to conclude on whether the Director of Finance and Assurance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in September 2021.

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. 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:

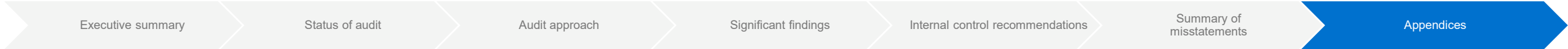
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
 - we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
 - we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.
- 45 we have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of London Borough of Harrow Council, as a body and as administering authority for the London Borough of 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.

Suresh Patel
For and on behalf of Mazars LLP
30 Old Bailey, London EC4M 7AU

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 2022 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 London Borough of Harrow for the year ended 31 March 2022 and comply with applicable law and CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

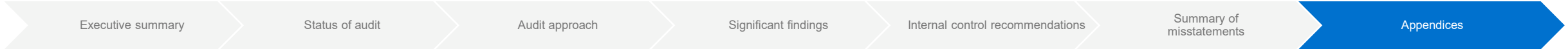
We have not considered the effects of any events between the date I signed my report on the full financial statements [insert date] and the date of this statement.

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.



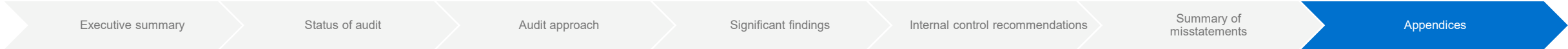
Appendix C: Draft consistency report

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.

 Ash Patel
Partner on behalf of Mazars LLP
30 Old Bailey, London, EC4M 7AU

Date



Appendix D: Independence and fees

Independence

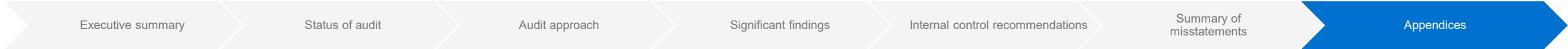
As part of our ongoing risk assessment, we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

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

Fees

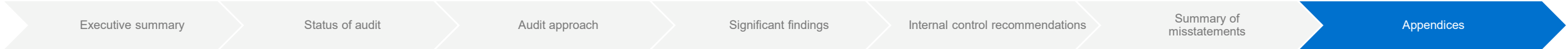
The scale fee is set by PSAA and we levy fee variations for additional work. These are then discussed and agreed with the Director of Finance and Assurance and approved by PSAA.

Area of work	2021/22 (Proposed)
Scale fee	£16,170
Additional work and fees:	
• Level 3 investments	£4,500
• IAS19 assurances to LB Harrow	£2,800
TOTAL	£23,470



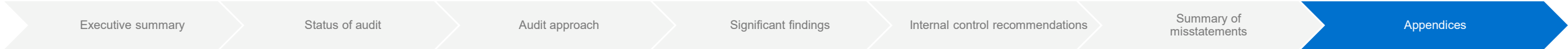
Appendix E: Other communications

Other communication	Response
Compliance with Laws and Regulations	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>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.</p>
External confirmations	<p>We did experience issues with respect to obtaining external confirmations from fund managers, but the Pension Fund fully co-operated in assisting the audit team to work through the issue.</p>
(86) Related parties	<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"> 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 b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	<p>We have not identified any evidence to cause us to disagree with the Director of Finance and Assurance 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>



Appendix E: Other communications

Other communication	Response
Subsequent events	<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>
Matters related to fraud 166:	<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 The Governance, Audit, Risk Management and Standards Committee, confirming that</p> <ol style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; 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; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ol style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and 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.



Suresh Patel, Partner

Mazars

30 Old Bailey

London

EC4M 7AU

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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.

**REPORT FOR: Pension Fund
Committee**

Date of Meeting:	20 December 2023
Subject:	Government Consultation on Investments and Pooling
Responsible Officer:	Sharon Daniels – Interim Director of Finance and Assurance
Exempt:	No
Wards affected:	None
Enclosures:	None.

Section 1 – Summary and Recommendations

This report updates the Committee on the recently published results following responses to the consultation document on LGPS Investments and Pooling.

Recommendations:

The Committee is requested to note the report and comment accordingly.

Section 2 – Report

1. As previously reported, the Government has undertaken a consultation on reforms to the arrangements for investment of LGPS assets. The latest plans were outlined in the Chancellor of the Exchequer's speech at the annual Mansion House dinner in July 2023. During that speech the chancellor announced reforms for the LGPS in England and Wales, covering asset pooling, levelling up and opportunities in private equity. Following this, the next day, the Department for Levelling Up Housing and Communities (DLUHC), published a consultation on the areas the chancellor highlighted in his speech.
2. Primarily the consultation covered five areas:
 - i. Acceleration and expansion of pooling - all assets into the pools by 2025 and each investment pool to be £50bn+ which could mean pool consolidation.
 - ii. Expectation for funds to invest up to 5% of assets, supporting UK levelling up
 - iii. Increase investments in unlisted equity - looking for a 10% allocation to private equity
 - iv. Amendments to LGPS regulations around the use of investment consultants - Officially implementing CMA requirements on investment consultants
 - v. Technical changes to definition of investments within LGPS regulations
3. This consultation closed on 2 October 2023.
4. Following the Consultation, the Government has on 22 November 2023 published the consultation outcome = Local Government Pension Scheme (England and Wales): Next steps on investments - government response. This can be found at the following link
[Local Government Pension Scheme \(England and Wales\): Next steps on investments - government response - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments-government-response)
5. The key points are set out in the following paragraphs.
6. **Pooling**
 - a) a move towards **fewer, larger pools** (£50billion in size) – as a comparison, London Funds total assets at 31 March 2023 totalled £45bn, LCIV currently has around £14bn of investments pooled or commitment (the latter in respect of private markets), and there are a further £12.3bn of passive funds counted as pooled. However this target is set for 2040, by which time assets are projected to have grown in size.
 - b) **Requirement to pool listed assets by 31 March 2025** – this has also been confirmed; however, it will be on a “comply or explain” basis, with any explanation taking into account value-for-money considerations.
 - c) **Passive assets** – these will fall within the “comply or explain” requirement and so may remain outside pools. However, funds must report the nature of the arrangement, the value-for-money case for holding the assets outside the pool, and the date when the arrangement will be reviewed. For any passive assets under the oversight of pools, funds

must set out how that is exercised, and report these assets as “under pool management”.

- d) **Delegation of manager selection and strategy implementation** – the government will produce strengthened guidance on increased levels of delegation to pools in these areas.
- e) **Pools providing investment advice to funds** – despite the majority of feedback being negative, the government remains in favour of this proposal.
- f) **Preferred model of pooling** – feedback for the government’s specification of a single model of pooling was largely negative. Guidance will, therefore, be provided, focusing on “characteristics and outcomes” rather than specifying a single structure.
- g) **Investing in other pools, through your own pool** – the government will set out under what circumstances it will be appropriate to invest through your own pool in another pool’s product. Funds will not be permitted to invest in other pools’ products directly, as the government wishes to prevent competition between pools.

7. Levelling Up

- a) **Definition of Levelling Up investments** – the broad definition suggested in the consultation will remain to provide flexibility for funds in finding investments that meet this definition. The government states that investments are “generally expected to provide good returns” but lower-returning investments can also be made under existing guidance on non-financial factors. The guidance will be to increase investment into private markets – public-market investments in providers such as housebuilders will generally not count.
- b) **Issues of scale** – much of the feedback noted the potential for Levelling Up investments to be too small in scale to access, particularly for pools. The government acknowledges that funds may choose to invest in these opportunities outside of the pool, but encourages as much pool involvement as possible, such as in conducting due diligence and to help manage conflicts of interest.
- c) **Up to 5%, or more if you like** – the government has confirmed that “an ambition” of 5% is not a limit. Similarly, funds can invest less if they don’t find sufficient investment opportunities.
- d) **Fiduciary duty** – it’s made clear that the government doesn’t see these requirements as going against fiduciary duty, and that funds should consider investments in Levelling Up projects as they do any other investment.

8. Private equity

- a) **“Allocation ambition”** – despite noting the largely negative feedback, the government will push ahead with encouraging funds to invest 10% of assets in private equity. This will not be forced, but funds will be set an allocation ambition.
- b) **UK or not?** – it’s made clear that the purpose of this measure is to encourage investment in the UK; however, this will not be mandated.
- c) **Private equity or private markets?** – the government recognises that private equity isn’t the only asset class that can help boost economic growth in the UK while providing strong returns. Funds can decide where they wish to invest.

- d) **British Business Bank (BBB)** – pools will be encouraged to work with the BBB to explore investment opportunities in venture and growth capital. A government-led investment vehicle to support pension fund investment in these areas is being explored.

9. Other issues

- a) There are also requirements placed on funds in relation to committee training and increased reporting, including:
- All funds to publish formal training policies for their committees and report on the training undertaken.
 - The government will work with the Scheme Advisory Board to create more transparent and consistent reporting on fund asset allocation and returns. The use of single standardised benchmarks for asset classes has been dropped.
 - Funds must also provide an annual update on pooling progress in their annual reports.
 - In their investment strategy statements, funds will need to set out a plan for investing up to 5% of assets in Levelling Up projects. And in annual reports they must report on their progress.
10. The Government has not modified its proposals significantly as a result of the Consultation, which may present some challenges for funds, committees and officers. The Government plans to issue amended Regulations and detailed guidance in due course.

Legal Implications

11. There are no direct legal implications arising from this report.
12. The Pension Fund Committee has the following powers and duties:
- i. to exercise on behalf of the Council, all the powers and duties of the Council in relation to its functions as Administering Authority of the LB Harrow Pension Fund (the fund), save for those matters delegated to other Committees of the Council or to an Officer;
 - ii. the determination of applications under the Local Government Superannuation Regulations and the Teachers' Superannuation Regulations;
 - iii. to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;
 - iv. to establish a strategy for the disposition of the pension investment portfolio; and
 - v. to appoint and determine the investment managers' delegation of powers of management of the fund.

Financial Implications

13. 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

14. Risks included on corporate or directorate risk register? **No**
Separate risk register in place? **Yes**
15. The Pension Fund's Risk Register is reviewed regularly by both this Committee and by the Pension Board. The most recent was reported to the Committee in July 2023.
16. 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

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

Council Priorities

18. 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: Sharon Daniels

Signed by the Chief Financial Officer

Date: 11 December 2023

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 7 December 2023

Chief Officer: Sharon Daniels

Signed on behalf of the Managing Director

Date: 11 December 2023

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
Telephone 020 8736 6552

Background Papers: None

**REPORT FOR: Pension Fund
Committee**

Date of Meeting:	20 December 2023
Subject:	Investments & Managers Performance Review
Responsible Officer:	Sharon Daniels – Acting Director of Finance and Assurance
Exempt:	No - except for Appendix 3 and 4 which are 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)
Wards affected:	None
Enclosures:	Appendix 1: Investment Dashboard as at 30 September 2023 (Aon) Appendix 2: PIRC Local Authority Pension Performance Indicators to 30 September 2023 (Exempt) Appendix 3 - Executive Summary of Manager Monitoring Report (Aon) (Exempt) Appendix 4 - Report from Independent Advisor Appendix 5a & 5b – Fund Valuation as at 30 September 2023 & 31 October 2023

Section 1 – Summary and Recommendations

This report updates the Committee on regular items as follows:

- Draft work programme for the remainder of 2023-24 on which the Committee's comments and agreement are requested.
- It includes the investment and management performance dashboard report summarising key fund performance and risk indicators and PIRC Performance Indicators
- Fund performance to 30 September 2023 and 31st October 2023
- Update on Audit of Annual Report and Accounts for 2021-22

Recommendations:

The Committee is requested to review and to comment as necessary on the performance and investment dashboard report and approve the draft work programme for the remainder of 2023-24.

Section 2 – Report

A. Introduction

1. This report updates the Committee on regular items as follows:
 - Draft work programme for 2023-24 (Sub-section B)
 - Investment and Manager Performance Dashboard (Sub-section C) and Appendix 1-4
 - Fund Performance and actions for periods ended 30 June 2023 (Sub-section D and Appendix 5)
 - Issues raised by Pension Board (Sub-section E)
 - Audit of 2021-22 Annual Report and Accounts (Sub-section F)
 - Other matters

B. Draft Work Programme 2023-24

2. The dates set for future meetings of the Committee in the 2023-24 were approved by the Council on 18 May 2023.
3. The outline work programme reported to the Committee in March 2023 has been updated – the following items are currently expected to be reported to the Committee's remaining meeting

Meeting	Item
All Meetings	Regular Items update <ul style="list-style-type: none">- Work Programme- Pension Board Items- Performance- Fund valuation / Dashboard- Manager Monitoring

12 March 2024	Investment Strategy Review
	LCIV and Investment Pooling Update
	Investment Consultancy Services Contract – outcome of tender process
	Climate Change Reporting Update
	Review of PF Risk register
Items to be scheduled when information is available	
	Consultation on Investment Pooling
	Outcome of TCFD Consultation
	External Audit Report on 2022-23 Accounts

4. All meetings are currently scheduled to start at 6.30pm. It is intended that a training session will be held before each meeting, beginning at 5.30pm. Detailed arrangements for the training sessions and meetings will be confirmed nearer the date.
5. The Committee will have the opportunity to update this programme but are invited to comment on the draft above and agree it at this stage. The list will be augmented as necessary during the year.
6. In addition to the “regular” quarterly meetings, the Committee may wish to schedule other (informal) sessions for specific reasons – e.g., in 2023 the Committee had sessions covering the Investment Strategy in May 2023 and a “manager review day” in October 2023.

C. Summary Performance Dashboard for Period Ended 30 September 2023

7. Attached as **Appendix 1** is a summary investment performance dashboard produced by Aon. It is designed to provide summary reporting and to streamline the performance reports presented to committee.
8. The investment dashboard shows the Pension Fund’s estimated Investment Funding Level of 125.3% as at 30 September 2023 and the fund assets (£970m) and liabilities (£774m). This estimate of liabilities is a rolled forward projection based on the 2022 actuarial valuation, the final results of which were reported to the Committee at its meeting on 29 March 2023.
9. The estimated funding level has improved since the 2022 valuation. This is driven by the fact that the expected return (discount rate) has increased materially since the valuation largely driven by increasing interest rate expectations. This has reduced the liabilities substantially. The assets have held up well over what has been a volatile period in financial markets and their values have not dropped to the same extent as the liabilities – hence the increased funding level. This update is at a single point in time, during a period of volatility in markets. Further market movements will lead to further fluctuations in funding level – for example, the value of investments fell by £18m (1.8%) in October 2023, and further changes in interest rates will affect the value of liabilities.

10. It should also be noted that the 125.3% funding level relates only to “past service” benefits (i.e. service accrued to date). As a scheme which is “open” both to future accrual of benefits for existing members and to new joiners, the Fund will also have to meet significant liabilities in respect of future service, which will in turn depend on pay levels and other factors. No de-risking actions are recommended at the current time.
11. The Dashboard includes a summary of asset allocation relative to the strategic benchmark. It also shows the current allocation made to the London CIV or in passively managed investments under fee arrangements negotiated by the CIV (79.7%) and a summary of manager performance and manager rating. The Strategic Benchmark allocation to assets pooled or counted as being pooled is 82.5%. The commitments which are yet to be drawn down in respect of the LCIV Infrastructure and LCIV Renewables Infrastructure Funds account for most of the gap.
12. The Fund subscribes to the performance data service provided by Pension and Investment Consultants Limited (PIRC) The PIRC performance report is attached as **Appendix 2** to this report. The dashboard summarises the quarter, 1-year, 3-year and 5-year performance. The Fund has again underperformed against its benchmark in the third quarter of 2023, and for all longer time frames performance was also below the fund benchmark.
13. **Appendix 3** Manager Monitoring Report - Executive Summary reports on managers who have received the Aon “qualified” or “in review” rating. This is summarised on the dashboard ‘Manager in Focus’ section. **Appendix 4** sets out the comments of one of the Fund’s Independent Advisors in respect of the various managers’ performance and other related information. **These appendices (3 and 4) are exempt, so any discussion of the detail therein will need to be undertaken in Part II of the meeting.**

D. Fund Performance and Valuation for Period Ended 30 September 2023 and subsequent activity

14. **Appendix 5a** sets out the change in the market value of the Fund’s investments from 31st March 2023 to 30th September 2023. The table has been ordered to align the various investments with the three high-level “bucket” groupings approved under the Investment Strategy Review – Equities, Diversifying Return Assets and Risk Control Assets. The value of the Fund at 30th September 2023 fell by £16.4m in the quarter from £968.7m (at 30th June 2023). The value of equities fell during the quarter by approximately £15m while the value of the fixed income investments remained broadly stable.
15. During the quarter there were 2 drawdowns against the Fund’s commitments to the LCIV Infrastructure Fund (£2m in total) and 1 drawdown against the commitment to the LCIV Renewables Infrastructure Fund £0.2m.
16. **Appendix 5b** shows the valuation of the Fund’s investments at 31 October 2023. The value fell by £18m (1.9%) in the month of October – the majority of this being equities (£12m) as markets fell by 2.3%, while the fixed income investments fell by £2m (1.1%). The Fund’s cash holdings fell by £4m as a

result of specific cash flow requirements, including drawdowns for the LCIV private market investments as detailed below.

17. There have been further drawdowns in the current quarter to date (7th December 2023)
 - LCIV Infrastructure Fund (2 drawdowns, total £2.9m) – £53.2m (78.2%) of the Fund's commitment of £68m to this Fund has now been drawn down. The first income distribution from this Fund is due in December it is expected to be between £0.9m and £1m.
 - LCIV Renewables Infrastructure Fund (2 drawdowns £0.4m total) - £21.6m (43.1%) of the Fund's commitment of £68m to this Fund has now been drawn down.

It is expected that there will be further drawdowns either in December or early January.
18. Two withdrawals have been made from the Insight DGF totalling £10m to meet actual and expected cash flow requirements (mainly the drawdowns from the LCIV funds as described above).
19. At its last meeting, the Committee approved changes to its investment strategy – progress in respect of those is set out in a separate report elsewhere on this agenda.

E. Meetings of Pension Board

20. At each meeting, the Board considers reports on
 - Pensions Administration Performance,
 - LGPS Update, which includes legislation updates and the work of the Scheme Advisory Board,
 - Matters considered by this Committee,
 - Its future work programme.
21. In addition, at its meeting on 30 October 2023 the Board considered reports on the following subjects
 - LAPFF report on Engagement and Voting
 - Draft LBH PF Annual Report and Accounts 2022-23
 - LCIV / Investment Pooling Update.
22. The dates of the Board's meetings for the remainder of 2023-24 are as follows
 - January 2024 (date tbc) – the scheduled meeting on 11 December 2023 has had to be moved because of staffing changes.
 - 19 March 2024.

Legal Implications

23. There are no direct legal implications arising from this report.
24. The Pension Fund Committee has the following powers and duties:

- i. to exercise on behalf of the Council, all the powers and duties of the Council in relation to its functions as Administering Authority of the LB Harrow Pension Fund (the fund), save for those matters delegated to other Committees of the Council or to an Officer;
- ii. the determination of applications under the Local Government Superannuation Regulations and the Teachers' Superannuation Regulations;
- iii. to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;
- iv. to establish a strategy for the disposition of the pension investment portfolio; and
- v. to appoint and determine the investment managers' delegation of powers of management of the fund.

Financial Implications

25. 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

26. Risks included on corporate or directorate risk register? **No**
Separate risk register in place? **Yes**
27. The Pension Fund's Risk Register is reviewed regularly by both this Committee and by the Pension Board. The most recent was reported to the Committee in July 2023.
28. 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

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

Council Priorities

30. 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: Sharon Daniels

Signed by the Chief Financial Officer

Date: 11 December 2023

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 7 December 2023

Chief Officer: Sharon Daniels

Signed on behalf of the Managing Director

Date: 11 December 2023

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

Telephone 020 8736 6552

Background Papers: None

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115 Investment Dashboard

Q3 2023

Prepared for: London Borough of Harrow Pension Fund

Prepared by: Aon

Date: 21 November 2023



For professional clients only

AON

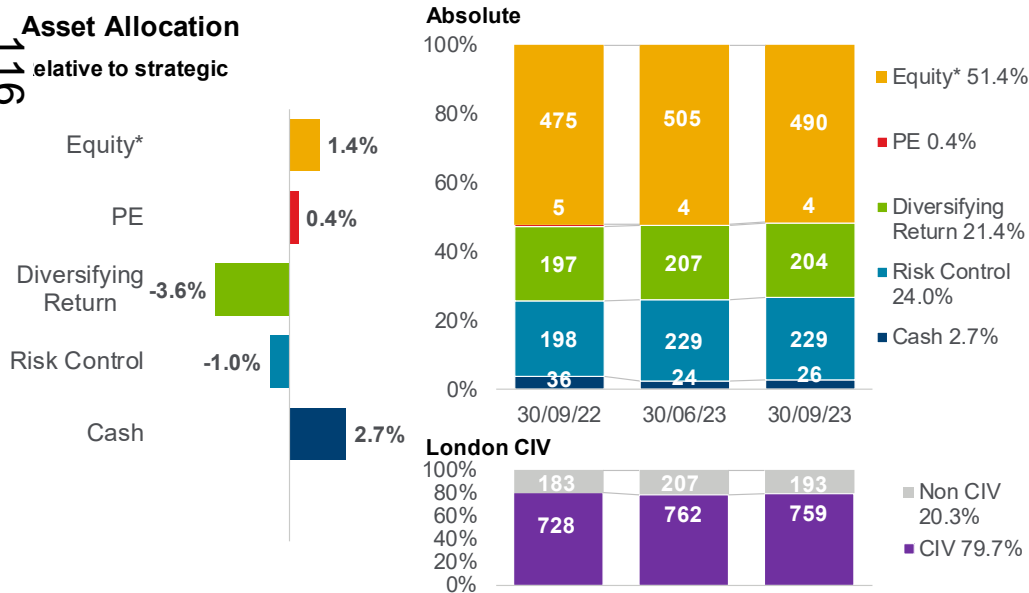
Dashboard summary

Funding	Assets	Liabilities
125.3%	£970m	£774m
Source: Hymans Robertson	Qtr ▲ 2.8%	Qtr ▼ £5m
		Qtr ▼ £22m

Yields	30 Oct	3yr Market Pricing	5yr Market Pricing
Nominal	5.2%	▲ 5.4%	▲ 5.3%
Real	1.5%	▲ 1.9%	▲ 1.9%
Inflation	3.7%	▼ 3.4%	▼ 3.4%

Source: Aon

Asset Allocation relative to strategic



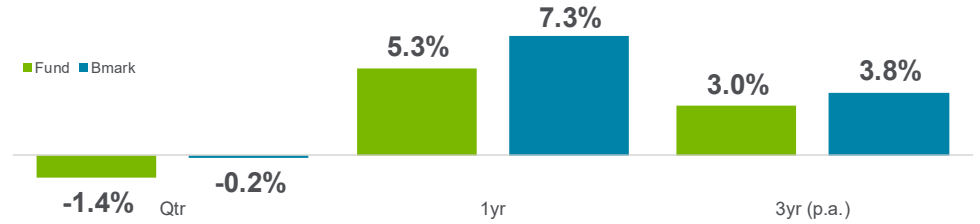
Source: London Borough of Harrow Pension Fund Officers

*includes passive currency hedge

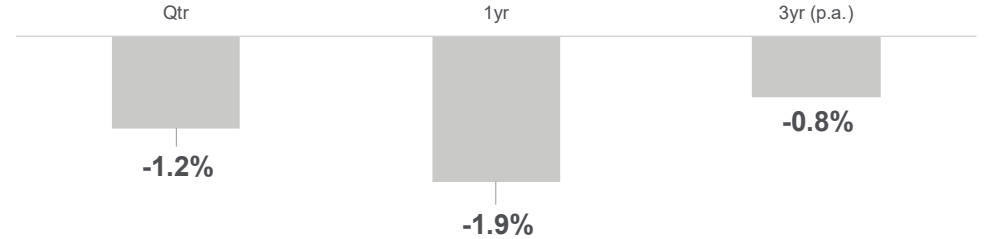
**We have labelled as "Buy" as we rate the team, philosophy, process and risk framework that RBC adopt although the specific fund utilised by the CIV differ slightly to the mainstream product.

Performance

Absolute



Relative



Fund and Benchmark Performance Source: PIRC

Managers in Focus

Buy

- LCIV BlackRock Passive Equities
- LCIV Global Equity Focus Fund (Longview)
- LCIV Sustainable Global Equity (RBC)**
- LCIV Global Bond Fund
- BlackRock Corporate Bonds
- BlackRock Index-Linked Gilts

Qualified

- Insight - Broad Opportunities Fund
- LaSalle UK Property

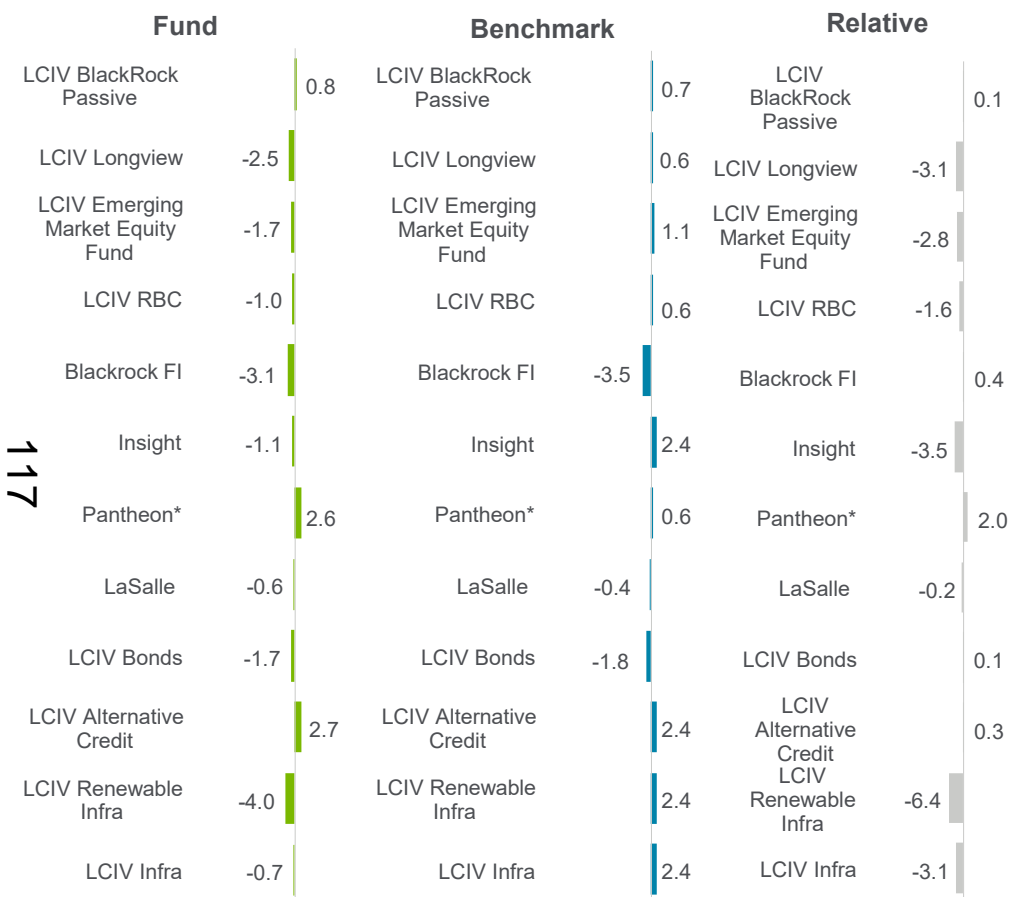
Sell

Source: Aon

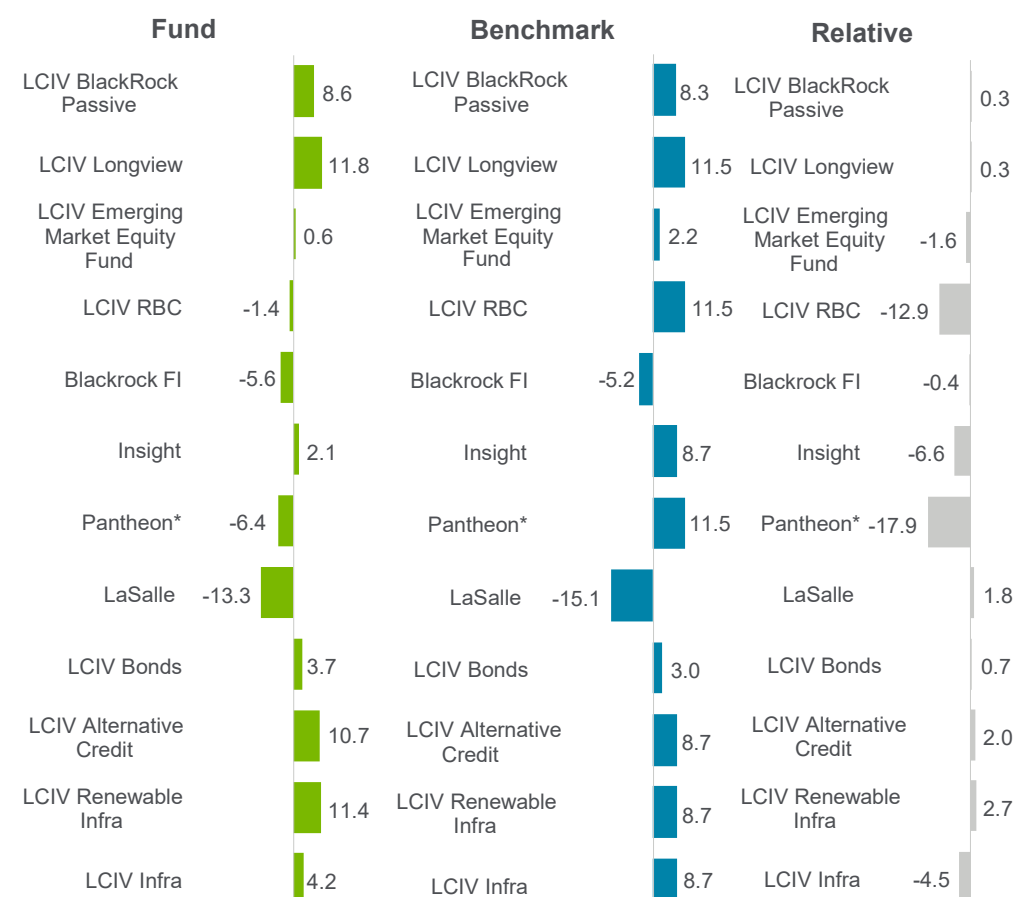
Note: The underlying funds for the LCIV Emerging Market Equity Fund, the LCIV Infrastructure and Renewables Funds, the LCIV Global Bond funds and the LCIV Alternative Credit Fund, are currently Not Rated by Aon.

Manager performance dashboard

Quarterly



12 months



Fund and Benchmark Performance Source: PIRC
 Relative performance calculated by Aon using an arithmetic methodology
 *Pantheon performance uses the previous quarter value adjusted for cash flow in the month

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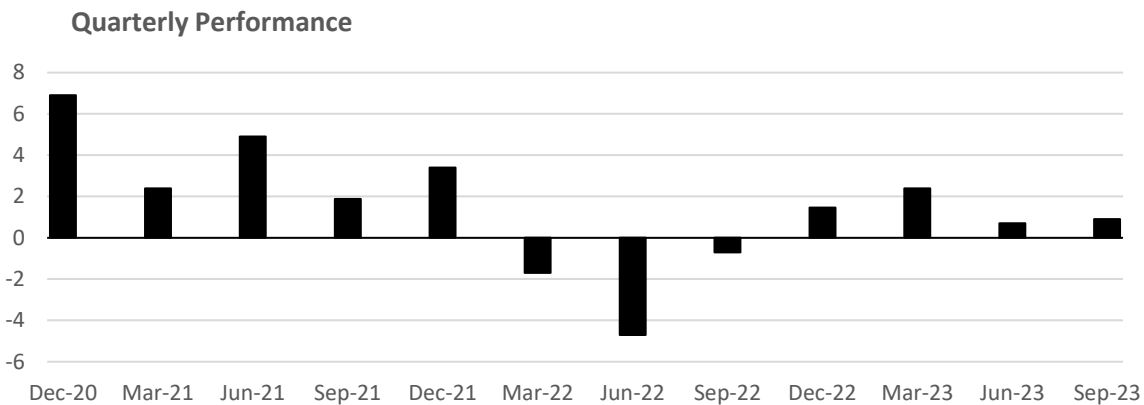
Local Authority Pension Performance Initial Indicators to September 2023

Latest Quarter

Bond returns continued to deliver negative results on the back of expectations that interest rates would have to stay high for longer.

Continuing indications of weak growth impacted on equity markets which delivered a small positive return for the period.

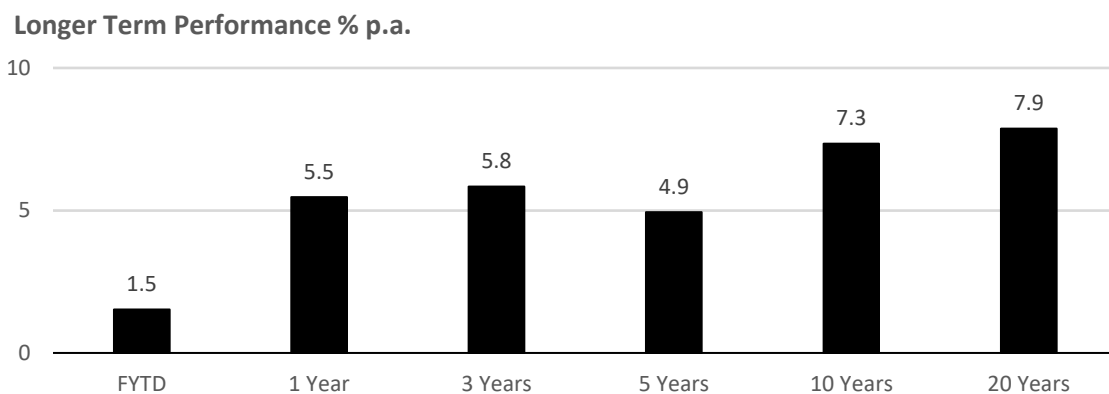
The average local authority fund could expect to achieve a return for the Quarter of around 0.9%.



Longer Term

The one-year result is now 5.5%, and the three years is 5.8% p.a., both below the end September inflation rate of 6.7% pa.

Over the last ten years the average fund delivered a return of 7.3% p.a.





The returns for the latest period are based on the asset allocation of the PIRC Local Authority Universe with index returns applied. The previous periods are updated to include actual Universe returns.

The PIRC Local Authority Universe is currently comprised of 63 funds with a combined value of £243bn.

For further details or for information about subscribing to this service please contact:

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Karen.Thrumble@pirc.co.uk

Tim Bush

Consultant - Local Authority Pension Performance Analytics

Timb@pirc.co.uk



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Harrow Pension Fund

Quarterly Performance Summary

Periods to end September 2023



Performance Overview

Fund Performance

	Quarter	1 Year	3 Years (% p.a.)	5 Years (% p.a.)
Fund	-1.4	5.3	3.0	2.9
Benchmark	-0.2	7.3	3.8	4.6
Relative	-1.2	-1.9	-0.8	-1.6

Manager Performance

	Latest Quarter			1 Year			3 Years (% p.a.)		
	Portfolio	BM	Relative	Portfolio	BM	Relative	Portfolio	BM	Relative
NSI view	-2.5	0.6	-3.1	11.8	11.5	0.2	13.1	10.2	2.6
Passive Equity	0.8	0.7	0.0	8.6	8.3	0.3	8.1	7.8	0.3
RBC	-1.0	0.6	-1.5	-1.4	11.5	-11.6			
LCIV Emerging Mkts	-1.7	1.1	-2.8	0.6	2.2	-1.5			
Pantheon*	2.6	0.6	2.0	-6.4	11.5	-16.1	6.8	9.6	-2.5
LaSalle	-0.6	-0.4	-0.2	-13.3	-15.1	2.2	1.6	2.9	-1.3
BlackRock	-3.1	-3.5	0.4	-5.6	-5.2	-0.4	-13.8	-13.7	-0.1
LCIV Bonds	-1.7	-1.8	0.1	3.7	3.0	0.6			
Alternative Credit	2.7	2.4	0.3	10.7	8.7	1.9			
Insight	-1.1	2.4	-3.4	2.1	8.7	-6.0	1.7	6.0	-4.0
Renewable Infra	-4.0	2.4	-6.3	11.4	8.7	2.5			
Infrastructure	-0.7	2.4	-3.0	4.2	8.7	-4.2			

*The Pantheon performance uses the previous quarter value adjusted for cash flows in the month. As a long term investment the longer term results are the key indicators for this portfolio.



Asset Allocation

	Start Quarter		End Quarter		% Strategic Allocation
	GBP'000s	%	GBP'000s	%	
Equity	504,865	52	489,716	51	50
Longview	115,020	12	112,137	12	10
BlackRock	242,917	25	244,549	26	24
LCIV Emerging	71,583	7	70,351	7	8
RBC	67,623	7	66,961	7	8
Record Currency	7,722	1	-4,282	0	
2 Diversifying Assets	210,804	22	207,640	22	25
Insight	67,807	7	66,961	7	5.5
LaSalle	59,875	6	56,899	6	6
Renewable Infrastructure	26,017	3	25,168	3	5
Infrastructure	53,120	5	54,814	6	7.5
Pantheon	3,985	0	3,798	0	1
Risk Control Assets	229,241	24	228,975	24	25
BlackRock	84,183	9	81,973	9	10
LCIV Bonds	43,651	5	42,929	5	5
LCIV Alternative Credit	101,407	10	104,073	11	10
Cash	23,822	2	26,019	3	0
Total Fund	968,733	100	952,350	100	100



Latest Year Performance

% p.a.	Portfolio	Benchmark	Relative	Manager Contribution
Equity				
Longview	11.8	11.5	0.2	0.0
BlackRock	8.6	8.3	0.3	0.1
RBC	-1.4	11.5	-11.6	-0.9
LCIV EM	0.6	2.2	-1.5	-0.1
Diversifying Assets				
Light	2.1	8.7	-6.0	-0.4
LaSalle	-13.3	-15.1	2.2	0.1
Renewable Infrastructure	11.4	8.7	2.5	0.0
Infrastructure	1.8	8.7	-6.4	-0.4
Pantheon	-6.4	11.5	-16.1	-0.1
Risk Control Assets				
BlackRock	-5.6	-5.2	-0.4	0.0
LCIV Bonds	3.7	3.0	0.6	0.0
LCIV Alternative Credit	10.7	8.7	1.9	0.2
Total Fund	5.3	7.3	-1.9	

Manager contribution is the impact of each portfolio on the overall Fund relative performance.
Only portfolios invested for the full period are shown in these tables.

All portfolios, including newly invested and legacy, will impact the overall performance.



Last 3 Year Performance

% p.a.	Portfolio	Benchmark	Relative	Manager Contribution
Equity				
Longview	13.1	10.2	2.6	0.3
BlackRock	8.1	7.8	0.3	0.1
RBC				
LCIV EM				
Diversifying Assets				
Insight	1.7	6.0	-4.0	-0.3
LaSalle	1.6	2.9	-1.3	-0.1
Renewable Infrastructure				
Infrastructure				
Pantheon	6.8	9.6	-2.5	0.0
Risk Control Assets				
BlackRock	-13.8	-13.7	-0.1	0.0
LCIV Bonds				
LCIV Alternative Credit				
Total Fund	3.0	3.8	-0.8	

Manager contribution is the impact of each portfolio on the overall Fund relative performance.

Only portfolios invested for the full period are shown in these tables.

All portfolios, including newly invested and legacy, will impact the overall performance.



Last 5 Year Performance

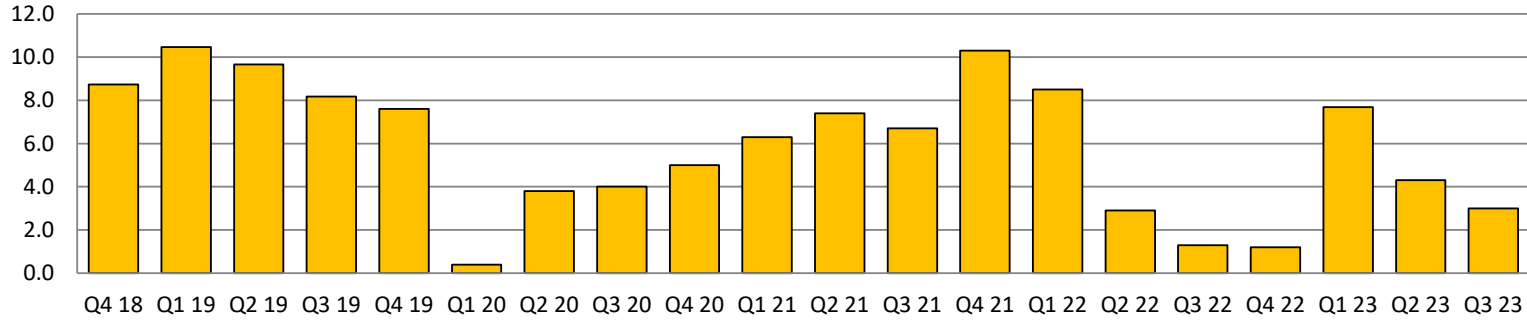
% p.a.	Portfolio	Benchmark	Relative	Manager Contribution
Equity				
Longview	7.8	8.7	-0.9	-0.1
BlackRock	7.5	7.2	0.3	0.1
RBC				
LCIV EM				
Diversifying Assets				
Light	1.4	5.3	-3.7	-0.3
LaSalle	-0.3	2.0	-2.3	-0.2
Renewable Infrastructure				
Infrastructure				
Pantheon	7.1	8.5	-1.3	0.0
Risk Control Assets				
BlackRock	-4.2	-4.6	0.5	0.1
LCIV Bonds				
LCIV Alternative Credit				
Total Fund	2.9	4.6	-1.6	

Manager contribution is the impact of each portfolio on the overall Fund relative performance.
 Only portfolios invested for the full period are shown in these tables.
 All portfolios, including newly invested and legacy, will impact the overall performance.



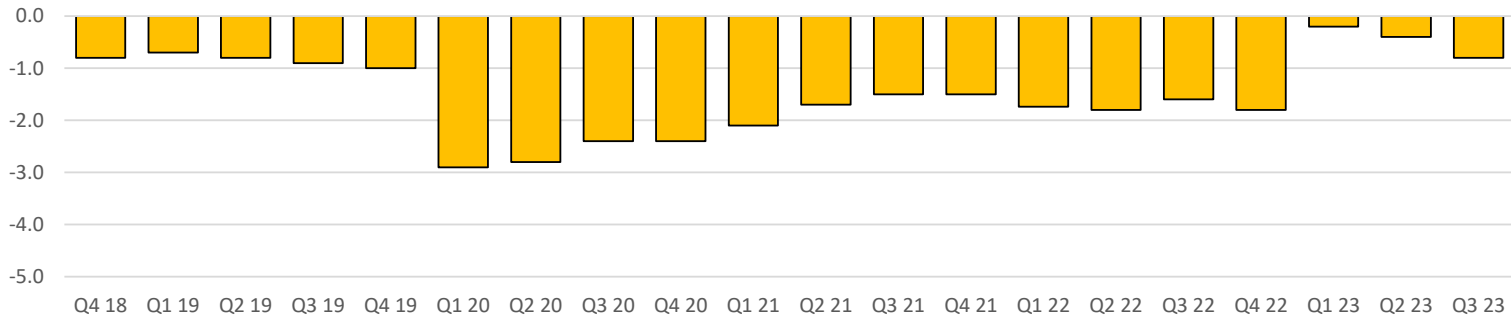
Rolling Three Year Returns

Rolling Three Year Returns (%p.a.)



127 three year return of 3.0% p.a. is currently well below CPI.

Rolling Three Year Relative Returns (% p.a.)



The Fund has fallen further behind its Benchmark over the latest three year period.



Benchmark Allocation

%	To 31/12/2017	From 1/1/2018	From 1/4/2019	From 1/7/2021
Equity	62	50	50	50
Global Passive	31	24	24	24
Developed Active	21	18	18	18
Emerging Markets Active	10	8	8	8
Risk Control	13	13	24	25
UK Corporate Bonds	10.4	10	10	5
Credit			11	10
Index Linked Gilts	2.6	3	3	5
Global Bonds				5
Diversifying Assets	25	37	26	25
Diversified Growth	10	22	6.5	5.5
Renewables				5
Infrastructure			7.5	7.5
Property	10	10	10	6
Private Equity	5	5	2	1



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Fund Valuation and Performance

March 2023 to March 2024

Asset Class	Value 31.03.2023 £'000	Value 30.04.2023 £'000	Value 31.05.2023 £'000	Value 30.06.2023 £'000	Value 31.07.2023 £'000	Value 31.08.2023 £'000	Value 30.09.2023 £'000	Allocation 30.09.2023 %	Strategic Allocation %	Strategic Range %
Global Equities										
LCIV - Global Equity Focus Fund	110,100	110,798	109,637	115,020	113,412	113,821	112,137	12	10	
LCIV - Blackrock Passive	233,414	235,333	238,232	242,917	249,547	246,651	244,549	26	24	
LCIV - Sustainable Equity Fund	67,704	67,526	66,645	67,623	68,868	67,854	66,961	7	8	
LCIV - Emerging Market Equity Fund	73,527	71,192	70,923	71,583	73,031	70,004	70,351	7	8	
Record passive currency hedge	13,747	5,033	3,343	7,722	4,840	2,719	-4,282	0		
Total Global Equities	498,492	489,883	488,779	504,865	509,698	501,049	489,717	51	50	45-55
								Inc Hedging		
Diversifying Return Assets										
Diversified Growth Fund - Insight	66,873	67,511	67,290	67,807	68,858	68,082	66,961	7	5.5	
Property - LaSalle	59,898	59,796	59,637	59,875	59,713	59,623	56,899	6	6	
Renewables - LCIV Renewables Fund	22,370	24,633	24,633	26,017	26,202	26,202	25,168	3	5	
Infrastructure - LCIV Infrastructure	50,091	52,691	52,691	53,120	55,196	55,196	54,814	6	7.5	
Private Equity - Pantheon	4,052	3,985	3,985	3,985	3,985	3,798	3,798	0	1	
Total Diversifying Return Assets	203,285	208,616	208,235	210,804	213,954	212,902	207,640	22	25	20-30
Control Assets										
Equities - Blackrock - FI Corp	46,539	45,824	43,848	43,398	44,842	44,478	43,744	5	5	
Bonds - Blackrock - IL passive LCIV (Aquila)	44,225	42,161	39,319	40,785	40,527	39,913	38,229	4	5	
Alternatives - LCIV Alt Credit Fund	98,277	99,729	100,222	101,407	100,617	103,678	104,073	11	10	
Bonds - LCIV Global Bond Fund	43,613	43,463	43,612	43,651	43,593	43,867	42,929	5	5	
Total Risk Control Assets	232,654	231,177	227,001	229,241	229,579	231,936	228,975	24	25	20-30
Cash & NCA										
Cash Managers (Blackrock)	10,915	10,953	10,991	11,033	11,074	11,120	11,168			
Cash NatWest	7,672	13,329	11,199	9,022	6,492	6,513	8,016			
Cash Custodian (JP Morgan)	27	792	794	794	5,598	5,600	5,602			
Blackrock Dividends (Pending Reinvestment)	491	491	1,018	1,025	7	549	553			
Debtors and Creditors	1,135	2,383	3,942	1,799	1,246	1,392	530			
CIV Investment	150	150	150	150	150	150	150			
Total Net Current Assets	20,390	28,099	28,094	23,822	24,568	25,325	26,019	3	0	
Total Assets	954,822	957,774	952,110	968,733	977,799	971,212	952,350	100	100	
Assets Pooled										
- LCIV Funds	48.8%	49.1%	49.2%	49.4%	49.2%	49.5%	50.0%		53.5%	
- Other (Passive) Funds - Regarded as Pooled	29.1%	29.0%	29.2%	29.3%	29.7%	29.5%	29.7%		29.0%	
Total % Pooled	77.8%	78.0%	78.3%	78.7%	78.8%	79.0%	79.7%		82.5%	

Invested Directly in funds managed by LCIV	476,433
Invested in Funds classed as Pooled with LCIV	282,778
Invested with Other Fund Managers	167,120
Cash/Other Assets held by Fund	26,019

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Fund Valuation and Performance

March 2023 to March 2024

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LCIV - Emerging Market Equity Fund	73,527	71,192	70,923	71,583	73,031	70,004	70,351	67,822	7	8	
Record passive currency hedge	13,747	5,033	3,343	7,722	4,840	2,719	-4,282	-3,581	0		
Total Global Equities	498,492	489,883	488,779	504,865	509,698	501,049	489,717	477,909	51	50	45-55
									Inc Hedging		
Diversifying Return Assets											
Diversified Growth Fund - Insight	66,873	67,511	67,290	67,807	68,858	68,082	66,961	65,969	7	5.5	
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Renewables - LCIV Renewables Fund	22,370	24,633	24,633	26,017	26,202	26,202	25,168	25,604	3	5	
Infrastructure - LCIV Infrastructure	50,091	52,691	52,691	53,120	55,196	55,196	54,814	55,333	6	7.5	
Private Equity - Pantheon	4,052	3,985	3,985	3,985	3,985	3,798	3,798	3,798	0	1	
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Bonds - LCIV Global Bond Fund	43,613	43,463	43,612	43,651	43,593	43,867	42,929	41,996	4	5	
Total Risk Control Assets	232,654	231,177	227,001	229,241	229,579	231,936	228,975	226,533	24	25	20-30
Cash & NCA											
Cash Managers (Blackrock)	10,915	10,953	10,991	11,033	11,074	11,120	11,168	11,217			
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Debtors and Creditors	1,135	2,383	3,942	1,799	1,246	1,392	530	1,207			
CIV Investment	150	150	150	150	150	150	150	150			
Total Net Current Assets	20,390	28,099	28,094	23,822	24,568	25,325	26,019	22,264	2	0	
Total Assets	954,822	957,774	952,110	968,733	977,799	971,212	952,350	934,119	100	100	
Assets Pooled											
- LCIV Funds	48.8%	49.1%	49.2%	49.4%	49.2%	49.5%	50.0%	50.4%		53.5%	
- Other (Passive) Funds - Regarded as Pooled	29.1%	29.0%	29.2%	29.3%	29.7%	29.5%	29.7%	29.5%		29.0%	
Total % Pooled	77.8%	78.0%	78.3%	78.7%	78.8%	79.0%	79.7%	79.9%		82.5%	

Invested Directly in funds managed by LCIV	470,465
Invested in Funds classed as Pooled with LCIV	275,483
Invested with Other Fund Managers	165,907
Cash/Other Assets held by Fund	22,264

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