

# **REPORT FOR: Pension Fund Committee**

---

**Date of Meeting:** 21 November 2017

**Subject:** London Borough of Harrow Pension Fund:  
Annual Report and Financial Statements  
for the year ended 31 March 2017

**Responsible Officer:** Dawn Calvert, Director of Finance

**Exempt:** No

**Wards Affected:** All

**Enclosures:** London Borough of Harrow Pension Fund:  
Annual Report and Financial Statements  
for the year ended 31 March 2017  
Annual Audit Letter 2016/17 (KPMG)

## **Section 1 – Summary and Recommendation**

### **Summary**

This report seeks the agreement of the Committee to the Pension Fund Annual Report and Financial Statements for the year ended 31 March 2017.

### **Recommendation**

The Committee are recommended to agree the Annual Report and Financial Statements for the year ended 31 March 2017.

## Section 2 – Report

1. At their meeting on 28 June 2017 the Committee received the Pension Fund draft Annual Report and Financial Statements for the year ended 31 March 2017.
2. They were advised that the audit of the Accounts by KPMG LLP would commence in July. The results of the audit were considered as part of the Council's overall Accounts by Governance, Audit, Risk Management and Standards Committee on 8 September 2016.
3. The Committee's consideration on 28 June was minuted as follows:

*The Committee received a report of the Director of Finance, which set out the draft Pension Fund Annual Report and Financial Statements for the year ended 31 March 2017 for comment.*

*An officer introduced the report and highlighted the concern over the level of performance monitoring currently available to the Fund. However, he was of the view that the Performance of the Harrow Fund, in comparison with the Peer Group, had improved considerably and was good for all time periods. He added that an improved performance report would be submitted to the September 2017 meeting of the Committee.*

*The officer outlined that, in terms of the maturity of the Fund, approximately a break even position had been achieved and the Fund was showing an increase in the number of pensioners whilst the number of active members had remained stable.*

*At the suggestion of the Chair, the Director of Finance agreed to include a suitable paragraph to explain that over the next three years the Council would be putting an additional £6m into the Fund to assist in reducing the deficit.*

*Richard Romain, Independent Adviser, suggested the following amendments:*

- *paragraph 9 of the report ought to be amended in the future to reflect the reality;*
- *page 87, final paragraph, first line, to delete "benchmarks" and insert "objectives";*
- *page 91, first bullet point, to delete "multi assets" and insert 'diversified growth funds';*
- *page 91, last line – at the end of the sentence, to add "who had raised issues of concern".*

*He enquired how the assumption that 50% of future retirees would elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 had been arrived at, as indicated on page 121 of the agenda. An officer indicated that he would discuss this with the Actuary and provide clarification.*

**RESOLVED:** *That the report be noted, subject to the amendments set out in the preamble above.*

- The audit of the Pension Fund Accounts was conducted at the same time as that of the rest of the Council's Accounts. In their "External Audit Report 2016/17 – London Borough of Harrow and Harrow Pension Fund" and subsequent letter (copy attached) KPMG make relatively few references to the Pension Fund with the key points as follows:
  - *We issued an unqualified opinion on the Authority's financial statements on 29 September 2017. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements also include those of the pension fund.*
  - *There were no significant issues arising from our audit of the pension fund and we issued an unqualified opinion on the pension fund financial statements as part of our audit report.*
  - *As part of our audit of the Pension Fund, we sought to understand the controls in place to ensure the accuracy of the data used by the actuary and tested a sample of the data back to the systems and reports from which it was derived. This work focused on the data relating to the Authority itself as the largest member of the Pension Fund.*
  - *We also review the assumptions adopted in calculating the pension liability included in the Authority's financial statements by having KPMG actuarial experts review the assumptions and methodology used by Hymans Robertson in their actuary's report and the accounting entries made in relation to those assumptions.*
  - *We found that the assumptions used were in line with our expectations and that appropriate accounting entries had been made with regards to the IAS 19 liability.*
- The Auditors made only one recommendation. This was in relation to pension fund journals authorisation:

***Pension Fund Journals Authorisation***

- *We have identified one individual that has authorised a number of Pension Fund journals above their authorisation limits per Authority guidelines in the year. We have reviewed email confirmation that this officer was given separate authority to authorise these journals.*
- *However, to align with best practice and avoid any confusion around authorisation limits we recommend that the Authority either formalises this arrangement within the Scheme of Delegation or require these journals to be authorised by an officer with a higher authorisation limit.*

- 6.1 Officers accepted the recommendation and actioned the following:  
Officers will review the scheme of delegation to ensure authorisation is done at the appropriate level. The Head of Treasury and Pensions will be added to the scheme of delegation to authorise journals over £500,000.
7. The Committee are recommended to agree Annual Report and Financial Statements for the year ended 31 March 2017.
- 8 The accounts can be accessed at:

[http://www.harrow.gov.uk/info/200110/council\\_budgets\\_and\\_spending/698/statement\\_of\\_accounts/2](http://www.harrow.gov.uk/info/200110/council_budgets_and_spending/698/statement_of_accounts/2)

### **Financial Implications**

9. Whilst this report discusses all aspects of the financial standing of the Pension Fund there are no financial implications arising directly from it.

### **Legal Comments**

- 10 Regulation 57 of the Local Government Pension Scheme Regulations 2013 requires that an administering authority must produce an annual report containing certain specified matters. The report must be published before 1 December of the scheme year end.

### **Risk Management Implications**

13. All risks are included within the Pension Fund Risk Register.

### **Equalities implications**

14. There are no direct equalities implications arising from this report.

### **Council Priorities**

15. The financial health of the Pension Fund directly affects the resources available for the Council's priorities.

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

Name: Dawn Calvert

Director of Finance

Date: 9 November 2017

Name: David Lodge

on behalf of the  
Monitoring Officer

Date: 9 November 2017

### **Section 4 - Contact Details**

**Contact:** Iain Millar, Treasury and Pensions Manager 0208  
424 1432

**Background Papers – None**