

Report for: Pension Board

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| Date of Meeting: | 8 July 2021 |
| Subject: | Draft Pension Fund Accounts for 2020-21 |
| Responsible Officer: | Dawn Calvert – Director of Finance and Assurance |
| Exempt: | No |
| Wards affected: | Not applicable |
| Enclosures: | Appendix 1 – Draft Pension Fund Accounts for 2020-21 |

Section 1 – Summary and Recommendations

This report presents the draft Pension Fund Financial Statements for the year ended 31 March 2021 on which the Board's comments are invited.

Recommendations:

The Board is recommended to note the report and the draft accounts which the Pension Fund Committee has approved for submission to the external auditors.

Section 2 – Report

1. The Board will recall that the Council's 2019-20 accounts had not been signed off by Mazars, and that because of the requirement to issue a "Certificate of Consistency" between the Pension Fund Annual Report and the Council's published accounts, this precluded the formal sign-off of the Fund's 2019-20 Annual Report and Accounts. At the time of writing this report, the formal sign-off was still awaited. Whilst this is unsatisfactory, this position is not unique to Harrow – a number of London Boroughs and other Councils are similarly affected, some of whom are audited by firms other than Mazars.

2. The statutory timetable for the publication and audit of the Council's accounts for 2020-21 has again been changed by the Government in the light of the Covid-19 pandemic. The deadline for completing the Audit of Accounts has been extended to 30 September 2021. The audit will again be carried out by the Council's auditor, Mazars.
3. At the time of writing this report, the auditor had not yet issued a detailed external audit plan for this year's Pension Fund accounts audit.
4. The audited Pension Fund Annual report is required to be published by 1 December 2021 – this requirement has not changed. The draft annual report is currently being prepared, will be taken to the Pension Fund Committee's next meeting on 12 September 2021, and the Board's next meeting on 30 September 2021.
5. Approval of the Council's draft accounts, including those for the Pension fund, will be sought from GARMS Committee on 13 July 2021. The statutory "period of inspection" will begin during July 2021. The outcome of the audit will be reported to the GARMS Committee at its meeting on 23 September 2021, which will approve the audited accounts.
6. The draft Pension Fund Financial Statements for the year ended 31 March 2021 are enclosed as appendix 1.
7. The Committee should be aware that Note 23 is incomplete, as information from the AVC providers is still awaited at the time of writing this report. This does not affect the Pension Fund's key financial statements as scheme members' AVC's are held and invested outside of the Fund.
8. To assist in the Committee's consideration of this matter they are advised of the following key points:

- Fund Revenue Account

During the year 2020-21, the net assets of the Fund increased from £778m to £968m. This reflects the recovery of financial and investment markets which took place following the large fall in the last quarter of the previous financial year as the Covid-19 pandemic developed.

- The Harrow annual return performance has been as follows:

| | Annual Performance (%) | Benchmark (%) |
|---------|------------------------|---------------|
| 1 year | 24.9 | 23.9 |
| 3 years | 6.3 | 8.5 |
| 5 years | 9.1 | 10.6 |

The outperformance against benchmark in 2021-22 follows a follows a significantly worse negative performance in 2019-20 (Fund performance of -8.2% compared with a benchmark of -3.2%). The 2019-20 position is reflected in the 3 and 5 year figures.

- Accounts for year ended 31 March 2021

| | £m |
|--|--------|
| Contributions by members and employers (including transfers) | -36.8 |
| Benefits paid (including transfers) | 39.5 |
| Investment income | -6.7 |
| Management expenses (including fees charged by investment managers of £3.8m) | 5.2 |
| Profits on sales an increase in market value of investments | -191.4 |

- Scheme Overview

Number of pensioners has increased from 5,750 in 2017-18 to 6,182 in 2020-21.

Number of deferred pensioners has increased from 7,115 in 2017-18 to 6,985 in 2020-21.

Number of active members decreased from 5,537 in 2017-18 to 5,410 in 2020-2021.

The Fund continues to mature in that benefit payments exceed contributions. This trend towards maturity can be expected to continue as the number of pensioners grows and active membership either stabilises or falls. However, when investment income is taken into account, cashflow remains positive. The impact of stable membership, longevity and pension increases will steadily increase future cash outflows which, in the longer term, may have to be factored into the investment strategy.

Legal Implications

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

Financial Implications

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

Risk Management Implications

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

Equalities implications / Public Sector Equality Duty

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

Council Priorities

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

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 21/06/2021

Statutory Officer: Chris Cuckney

Signed on behalf of the Monitoring Officer

Date: 22/06/2021

Chief Officer: Charlie Stewart

Signed by the Corporate Director

Date: 21/06/2021

Mandatory Checks

Ward Councillors notified: Not applicable

Section 4 - Contact Details and Background Papers

Contact: Jeremy Randall – Interim Pensions Manager

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Background Papers: None