

## **Report for: Pension Board**

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<b>Date of Meeting:</b>	6 October 2022
<b>Subject:</b>	Draft Pension Fund Annual Report for 2021-22
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	Not Applicable
<b>Enclosures:</b>	Appendix 1 – Audit Strategy Memorandum (Mazars) Appendix – 2 Draft Pension Fund Annual report for 2021-22

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

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This report presents the draft Pension Fund Annual Report for the year ended 31 March 2022, and the External Audit Plan on which the Board's comments are invited. It will also update on progress with the 2021-22 audit.

#### **Recommendations:**

The Board is requested to note the draft Annual Report and to make comments for submission to the Pension Fund Committee.

### **Section 2 – Report**

1. The Accounts and Audit (England) Regulations 2015, require Local Authorities to prepare Statement of Accounts in accordance with proper practices. Previous timetable deadlines have meant that the draft Statement of Accounts must be published by 31st May with the audited version being published by 31st July each year.
2. Following the Coronavirus pandemic the legislative requirements were relaxed and this has continued for 2021-22. The Accounts and Audit (Amendment) Regulations 2021 (SI 2021/263) revised the deadlines to

31st July 2022 for the draft accounts and 30th November 2022 for the audited accounts.

3. The audit is again being carried out by Mazars. Their “Audit Strategy Memorandum”, which sets out their plan for carrying out the audit of the Pension Fund Accounts is enclosed as **Appendix 1**. This was considered by the GARMS Committee on 2 August 2022.
4. The audited Pension Fund Annual Report is required to be published by 1 December 2022 – this requirement has not changed. The draft annual report (which contains the 2021-22 Pension Fund Accounts) is enclosed as **Appendix 2**.
5. The audit of accounts is in progress, and the outcome will be reported to the Pension Fund Committee’s next meeting on 23 November 2022, together with the audited Annual report for approval.
6. To assist in the Board’s consideration of this matter they are advised of the following key points:

- Fund Revenue Account

During the year 2021-22, the net assets of the Fund increased from £968m to £1,018m. This reflected the continued buoyancy of investment markets in 2022, although markets did fall back during the final quarter of the year.

- The Harrow annual return performance has been as follows:

	Annual Performance (%)	Benchmark (%)
1 year	5.7	6.6
3 years	6.6	8.5
5 years	6.0	7.9

The fund’s underperformance against its benchmark return in all periods largely results from the poor performance of some of its investment managers. The Fund has taken steps to address this during 2021 and 2022, replacing two of its equity managers in that time.

- Accounts for year ended 31 March 2022

	£m
Contributions by members and employers (including transfers)	-39.2
Benefits paid (including transfers)	43.1
Investment income	-7.0
Management expenses (including fees charged by investment managers of £3.8m)	5.3
Profits on sales an increase in market value of investments	-52.3

- Scheme Overview

At 31 March, the

- Number of pensioners has increased from 5,795 in 2019 to 6.460 in 2022.

- Number of deferred pensioners has decreased from 6,966 in 2018 to 6,957 in 2022.
  - Number of active members increased from 5,400 in 2018 to 5,586 in 2022.
7. 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. Cashflow (even after taking account of investment income) is now slightly negative, although the investment strategy retains sufficient liquidity to address this in the short to medium term. The impact of stable membership, longevity and pension increases are likely to increase future cash outflows gradually. In the longer term, it is likely that this will have to be factored into the investment strategy.

## **Legal Implications**

8. There are no direct legal implications arising from this report.
9. The terms of reference for the Board include the Board's role as set out in the following paragraphs.
10. The role of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including:
- securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
  - securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
  - such other matters the LGPS regulations may specify.
11. The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility.
12. In its role, The Board will have oversight of the administration of the fund including:
- 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
13. The Board will provide the Scheme Manager with such information as it requires to ensure that any Member of the Board or person to be appointed to the Board does not have a conflict of interest.
14. The Board will ensure it effectively and efficiently complies with the Code of Practice on the Governance and Administration of Public Service

Pension Schemes issued by the Pensions Regulator. It will help to ensure that the Fund is managed in the same way.

15. The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

## **Financial Implications**

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

## **Risk Management Implications**

17. The Pension Fund's Risk Register is reviewed regularly by both the Pension Fund Committee and by the Board. The next review will be in December 2022.
18. 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**

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

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

**Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 27/09/2022**

**Statutory Officer: Sharon Clarke**

Signed on behalf of the Monitoring Officer

**Date: 22/09/2022**

**Chief Executive: Dawn Calvert**

Signed on behalf of the Chief Executive

**Date: 27/09/2022**

## **Mandatory Checks**

**Ward Councillors notified:** Not Applicable

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

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

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

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**Background Papers:** None