

**MEETING**

**LOCAL PENSION BOARD**

**DATE AND TIME**

**TUESDAY 17TH NOVEMBER, 2020**

**AT 6.00 PM**

**VENUE**

**HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4BQ**

Dear Councillors,

Please find enclosed additional papers relating to the following items for the above mentioned meeting which were not available at the time of collation of the agenda.

Item No	Title of Report	Pages
9.	DECISIONS MADE BY THE PENSION FUND COMMITTEE	3 - 8
10.	ADMINISTRATION PERFORMANCE REPORT	9 - 46
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# Local Pension Board AGENDA ITEM 9

17 November 2020

<b>Title</b>	<b>Decisions made by the Pension Fund Committee</b>
<b>Report of</b>	Director of Finance
<b>Wards</b>	n/a
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	None
<b>Officer Contact Details</b>	George Bruce, Head of Treasury, <a href="mailto:george.bruce@barnet.gov.uk">george.bruce@barnet.gov.uk</a> - 0208 359 7126

## Summary

Part of the role of the Local Pension Board is to ensure the effective governance of the Pension Fund. This role is not clearly defined but is deemed to include considering whether the decision-making processes of the Pension Fund Committee are reasonable or appropriate i.e. soundly based, consider relevant information, are consistent with the objectives and policies of the Fund and are taken after considering appropriate advice. The paper considers recent decisions by the Pension Fund Committee and summarises the rationale, the processes followed and the link with policy documents and regulations.

## Officer Recommendations

That the Local Pension Board notes the procedures applied by the Pension Fund Committee when reaching decisions at recent meetings and considers any issues associated with those procedures and decisions. The outcome of these discussions is to be reported back to the Pension Fund Committee.

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 The Board's role is to assist the administering authority in securing compliance with scheme regulations and other legislation relating to the governance and administration of the scheme and in ensuring the effective and efficient governance and administration of the LGPS for the LBB Pension Fund.
- 1.2 Part of the Board's role is to review the decision-making processes and ensure that these are soundly based, meet regulatory requirements and consider advice received as appropriate. While it is not appropriate for the Board to seek to replace its own judgments for those of the Pension Fund Committee, it is appropriate to review whether decisions have followed an appropriate process.
- 1.3 Since the last Local Pension Board meeting there has been one meeting of the Pension Fund Committee. The paper will highlight decisions made at these meetings.

### **Meeting 7 October 2020**

- 1.4 The meeting was attended by the Auditor (BDO), Investment Advisor (Hymans Robertson) and officers from Governance and Finance.
- 1.5 Each of the agenda items for which a paper was presented is discussed below.

#### Administration Report

- 1.6 The Committee considered the report that provided an update on the current administration performance, Annual Benefit Statement (ABS), Remediation Plan and GMP reconciliation. Members further noted that the transfer of the administration service from Capita to West Yorkshire Pension Fund from November 2020. It was noted that there had been errors in the ABS' that had been sent to scheme members of the fund due to incorrect payroll information, with 1,600 ABS' to be reissued. The committee requested a report be submitted in regard to the financial arrangements relating to the termination of the Capita contract for pension administration, including reference to costs incurred by the pension fund due to poor performance of the administrator.

#### Investment Strategy: Responsible Investment and Pooling Report

- 1.7 The Committee received a report on four potential investment opportunities which are centred around responsible investment, as identified by Hymans Robertson. Training had been provided immediately before the meeting. The committee noted the report and requested any decision on investing be deferred to the next committee meeting to enable additional training from Legal and General, and London CIV.

#### Pension Fund Annual Report and Accounts, and External Auditors Report

- 1.8 The Committee approved the 2019/20 Annual Report and Pension Fund Accounts. The Committee also noted the matters raised by the external auditor, and delegated the signing of the accounts, letter of representation, and minor drafting changes to the Chairman and Section 151 Officer.

## Pensions Administration Transition (PAT) Project Update

- 1.9 The Committee were provided with an update on the transfer of the administration of the Barnet Pension fund from Capita to West Yorkshire Pension Fund. The Committee requested to be informed of developments and noted the progress against the plan.

## Admitted Body and Bond Status Update

- 1.10 The Committee received a status update on the outstanding admitted body and bond agreements, as well as bond renewals and cessation calculations that needed arranging. The Committee noted the progress on outstanding admitted body and bond agreements, including bond renewals and cessation valuations.

## Pension Fund Performance for the quarter to 30 June 2020

- 1.11 The Committee received a report from Hymans Robertson that summarised the Pension Fund investment performance for the quarter to 30 June 2020 and the subsequent two months to end August.

## Re- Procurement of Actuarial Services

- 1.12 The Committee received a report outlining the re-procurement of actuarial services to the Pension Fund. The Committee noted the intention to re-appoint Hymans Robertson as the actuary to the Pension Fund. [Subsequent to the Committee, the re-appointment of Hymans as Actuary has been finalised.]

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 The Local Pension Board may wish to review Pension Fund Committee decision making procedures as part of its role in assisting the administering authority on ensuring good governance.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 N/A. The paper does not propose particular options.

## **4. POST DECISION IMPLEMENTATION**

- 4.1 Recommendations from the Board will be communicated to the next Pension Fund Committee meeting.

## **5. IMPLICATIONS OF DECISION**

- 5.1 **Corporate Priorities and Performance**

5.1.1 Good management of the Pension Fund will minimise the cost of providing benefits thus enabling funds to be directed to Council priorities as set out in the Council's Corporate Plan for 2019-2024.

## 5.2 **Resources (Finance and Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

5.2.1 None in the context of this report.

## 5.3 **Social Value**

5.3.1 There are no specific social value issues arising out of this report, however membership of the Pension Fund ensures the long-term financial health of contributing employees on retirement.

## 5.4 **Legal and Constitutional References**

5.4.1 The LGPS Regulations 2013 place responsibility for the local administration of pensions and other benefits under these Regulations on the administering authority, which is LB Barnet. The Public Service Pensions Act 2013 requires the Council to establish a Pension Board, whose role is to assist the Council in securing compliance with legislation, regulation and best practice, including as set out in the Pension Regulator's Code of Practice.

5.4.2 This paper considers the governance arrangement of the LGPS pension scheme that form part of the remit of the Local Pension Board.

## 5.5 **Risk Management**

5.5.1 Risk management is central to the LGPS. LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met.

5.5.2 Good governance is essential to ensuring that risks are identified and managed.

## 5.6 **Equalities and Diversity**

5.6.1 There are no Equalities and Diversity issues arising from this report.

5.6.2 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to 1) eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; 2) advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and 3) fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to parts 2) and 3) (above) of the public-sector equality duty.

5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public-sector equality duty. The Public Sector Equality Duty requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements and monitoring of the Pension Fund's managers will benefit everyone who contributes to the fund.

## 5.7 **Corporate Parenting**

5.7.1 N/A

## 5.8 **Consultation and Engagement**

5.8.1 The paper is part of the process of co-ordinating the activities of the Pension Fund Committee and Local Pension Board.

## 5.9 **Insight**

5.9.1 N/A.

## 6. **BACKGROUND PAPERS**

6.1 Papers and minutes of the Pension Fund Committee Meeting held on 7<sup>th</sup> October 2020.

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<https://barnet.moderngov.co.uk/documents/g10150/Public%20reports%20pack%2007th-Oct-2020%2018.00%20Pension%20Fund%20Committee.pdf?T=10>

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AGENDA ITEM 10

## Local Pension Board

17 November 2020

<b>Title</b>	<b>Performance Report</b>
<b>Report of</b>	Director of Finance
<b>Wards</b>	N/A
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	Appendix A – Capita Performance Report for September 2020
<b>Officer Contact Details</b>	Mark Fox, Pensions Manager – 0208 359 3341
<b>Summary</b>	
This paper provides the Local Pension Board with the Capita pensions administration final performance report relating to September 2020, along with an update on the issuing of Annual Benefit Statements.	

## Officers Recommendations

The Local Pension Board are requested to note Capita's final performance levels, the final update from Capita on reducing non-actionable caseload backlogs, along with the update on Annual Benefit Statements and the actions taken/being taken, to correct the issues that have arisen.

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 The efficient delivery of benefits is reliant upon effective administrative procedures being in place. It is important that this information is reviewed by the Board.
- 1.2 The report at Appendix A provides an overview of performance of the operational pensions administration service delivered by Capita up to September 2020. This will be the final report received from Capita, but Officers will update the Board on their performance for October up to 16 October when the “final cut” of member data was sent to West Yorkshire Pension Fund (WYPF).
- 1.3 From 1 November 2020, the administration of the Barnet Fund transferred from Capita to the WYPF.
- 1.4 The risk register is reported on separately.
- 1.5 From 16 October, Capita were only able to answer general member queries, that did not require a calculation or update to the members records. Any cases where a calculation is required were passed to WYPF to action.

### **Capita Performance**

- 1.6 The September monthly report shows a continued reduction in the SLA attainment compared to the previous report (down from 81% to 74.5%). Officers did agree with Capita that, as long as there was no reduction in the performance in processing retirement and death cases, the administration team should focus on the non-actionable cases remediation plan. However, the performance levels for these two case types were 73% and 83% respectively.
- 1.7 Officers continually raised this with Capita in the weekly performance meetings leading up to the transfer to WYPF.
- 1.8 The number of active complaints has increased since the last Report from four to nine. Officers have reviewed these complaints which mainly relate to administration delays. Most of these cases have now been actioned and Officers are not aware of any of these complaints being taken further to the Internal Dispute Resolution Procedure (IDRP) stage.

### **Regulatory Breaches**

- 1.9 **May 2020 breach** - At the last Board meeting, it was noted that there was a Regulatory breach in May 2020. This breach related to a member on a Tier 3 ill health retirement pension that was due to cease after the maximum of three years in payment, as set out in the LGPS regulations, Capita identified that, again in accordance with the LGPS regulations, an ill health review had not taken place after 18 months from date the pension started. This review should have been initiated by the employer to determine whether there were any

changes to the member's circumstances that justified continuation of the pension beyond three years.

- 1.10 The member has since had their medical review, which has resulted in their pension being uplifted to a Tier 2 ill health case. This means that the member is unlikely to be capable of gainful employment within 3 years of the Tier 3 ill health retirement pension commencing, but is likely to be capable of undertaking such employment before their Normal Pension Age. Although the duty is on the employer to arrange for the medical review, Capita should have had a process in place to prompt the Employer.
- 1.11 **September 2020 breach** - The September report also highlights another regulatory breach. This relates to an overpayment of a pension and lump sum to a member, who has been in receipt of a pension since 2014. Capita held a duplicate record for the member as a deferred pensioner with a normal retirement date in 2018, when the overpayment, totalling c£45,000 was made.
- 1.12 Capita have requested the return of the overpayment from the member and have reduced the pension to the correct level. Correspondence and the recording of the member's telephone call with Capita prior to the payment of the second duplicate pension indicate that the member made Capita aware of the existing pension and queried the second entitlement.
- 1.13 Officers have contacted the member to confirm that, at present, the return of the overpayment is not required although the reduce future pension is appropriate. Officers think this is classified as 'administrator error' and are taking it forward.

### **Remediation Plan**

- 1.14 In preparation for the transfer of administration to the WYPF, Capita continued to work on a "remediation plan" in order to complete outstanding member cases and data updates.
- 1.15 As at 19 October 2020, the number of cases outstanding in the remediation plan was c2,125 – at the start of the project this figure was c4,600. This includes c900 "non-actionable work cases", which are cases that were put "on hold" whilst waiting for further information from third parties.
- 1.16 Officers have discussed with WYPF how to deal with any unfinished work arising from the remediation plan after the 1 November. This work will transfer to WYPF who have set up a dedicated project team to complete the outstanding work.

### **Annual Benefit Statements**

- 1.17 Annual Benefit Statements (ABS) were issued to 9,811 deferred members in early August 2020 and to 6,538 active members on 28 August 2020. The statutory deadline for issuing ABS's was 31 August.

- 1.18 There are c2,600 members who have not received an ABS mainly due to outstanding information due from employers. Some of these members may have also left the Fund as no salary information was provided on employer's annual returns with Capita being unable to process until a leavers return is provided by the employer. Officers have worked with Capita to chase employers for the outstanding information and continue to chase post transfer to WYPF. Once the information is received, ABS's can be issued for these members by WYPF.
- 1.19 **ABS issue 1** - Following the issuing of ABS's, on 8 September, Capita Pensions advised Officers that the LBB payroll provider (Capita HR) had provided incorrect pensionable pay details for 1,660 members employed by LBB. Following investigation, it was confirmed pensionable pay for 13 months was provided for the year ending March 2020. This resulted in benefits being overstated on the ABS.
- 1.20 Root cause analysis by Capita discovered that when the report used to extract the required year end data to support ABS production was run by the Capita Payroll team, it was checked and was deemed correct. This extract was sent to Capita Pensions for adjustments/edits as per standard processes. The edits were returned to Capita Payroll and the report was re-run. When the report was run for the second time the monthly payroll file for April had been run and erroneously included in the report.
- A breakdown in controls led to the second report not being checked on the basis that the first report generated had already been checked for accuracy and therefore was assumed to be correct. It should be noted that WYPF processes do not require Capita Payroll to provide year end data for the production of 2021 ABS's.
- 1.21 Capita Pensions immediately commenced remedial action, along with Capita Payroll to update the members records with correct pensionable pay details and reissue ABS's. Corrected statements were sent to all impacted members at the end of September.
- 1.22 Staff affected have received an email from the Council's Chief Executive apologising for the error.
- 1.23 A report on this issue, along with the non-issuing of ABS's, has been to The Pensions Regulator.
- 1.24 **ABS issue 2** - Officers have recently been made aware of an issue regarding members who are paid certain allowances by LBB, such as "Recruitment & Retention (R&R)" payments. Capita Payroll were deducting contributions from these allowances but, following training received from Capita Pensions, did not include these allowances as "pensionable pay" and "final pay" on the end of year return sent to Capita Pensions for ABS purposes.
- 1.25 "Pensionable pay" and "final pay" are used to calculate members benefits.

- 1.26 Officers have obtained legal advice and it has been confirmed that these allowances should be treated as pensionable and final pay. To date, Officers are aware that this issue affects at least 220 members, but are waiting for the final number to be confirmed.
- 1.27 Capita Payroll are calculating the revised pay figures and will provide these to WYPF who will reissue the ABSs (the second correction) to the affected members. It is intended that this will be completed by the end of November.
- 1.28 Officers have contacted the members concerned with an update on the issue.
- 1.29 In addition, Officers have asked Capita to confirm whether this issue has affected benefit calculations.

### **Pension Savings Statements**

- 1.30 Pension Savings Statements (PSS) must be issued to all members whose “pension savings” in a tax year exceed the standard annual allowance of £40,000. “Pension Savings” for funds such as the LGPS is the difference between the LGPS pension earned at the start of the tax year compared against the pension earned at the end of the tax year
- 1.31 The statutory deadline for sending PSS is 6 October each year. Capita confirmed that PSS for the 2019/20 tax year were sent to all applicable members by this date. To date, 27 members have been sent a PSS.
- 1.32 The PSS were based on salaries corrected for ABS Issue 1 above, but three required correction and re-issue for ABS issue 2 and there may be additional members who will be due a PSS because of ABS Issue 2 as their higher salaries may breach annual limits.

### **Transfer to WYPF**

- 1.33 Officers have been discussing with both Capita and WYPF on how the outstanding “business as usual (BAU)” work and remediation plan work would be transferred to WYPF.
- 1.34 Capita have arranged for new post received from 1 November addressed to their Barnet PO Box will be automatically redirected to WYPF. Post sent to this PO Box will be scanned by Capita and then sent to WYPF (via a secure portal) to action.
- 1.35 An email message has also been set up in the Capita dedicated Barnet mailbox advising of the transfer to WYPF and with details of the WYPF mailbox that emails should be redirected to. A voicemail has also been set up on the Capita Barnet helpline providing WYPF details.
- 1.36 Capita have provided WYPF with details on the BAU cases outstanding at the date of transfer. These cases will also be initially dealt with by the dedicated team at WYPF to process.

## **2. REASONS FOR RECOMMENDATIONS**

2.1 Not applicable in the context of this report.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

3.1 Not applicable in the context of this report.

## **4. POST DECISION IMPLEMENTATION**

4.1 Not applicable in the context of this report.

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

5.1.1 The Local Pension Board supports the delivery of the Council's strategic objectives and priorities as expressed through the Corporate Plan, by assisting in maintaining the integrity of the pension Fund by monitoring the administration and compliance of the Fund.

### **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

5.2.1 Not applicable in the context of this report.

### **5.3 Social Value**

5.3.1 Not applicable in the context of this report.

### **5.4 Legal and Constitutional References**

5.4.1 The LGPS Regulations 2013 place responsibility for the local administration of pensions and other benefits under these Regulations on the administering authority, which is the London Borough of Barnet. The Local Government (Amendment) (Governance)Pension Scheme Regulations 2015 inserts regulation 106 into the Local Government Pension Scheme Regulations 2013 which requires the Council to establish a Pension Board, whose role is to assist the Council in securing compliance with legislation, regulation and best practice, including as set out in the Pension Regulator's Code of Practice to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.

5.4.2 Under the terms of reference for the Local Pension Board, the role of the Board is to assist with:

- compliance with LGPS Government regulations;
- compliance with the requirements imposed by the Pensions Regulator.
- such other matters as the LGPS regulations may specify ensure the effective and efficient governance and administration

- ensure the Pension Fund's strategy and policy documents are maintained in accordance with the LGPS Regulations.
- ensure the Pension Fund's internal Risk Register is reviewed at least annually.
- review the Pension Fund's performance in complying with the requirements of the LGPS Regulations

## **5.5 Risk Management**

5.5.1 Risk management is central to the LGPS. LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met. Good governance is essential to managing the risks of the pension fund.

## **5.6 Equalities and Diversity**

- 5.6.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation, marriage and civil partnership.
- 5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public-sector equality duty. The Public Sector Equality Duty requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements will benefit everyone who contributes to the fund.

## **5.7 Corporate Parenting**

- 5.7.1 Not applicable in the context of this report.

## **5.8 Consultation and Engagement**

- 5.8.1 Where relevant, consultation and engagement is discussed in the paper.

## **5.9 Insight**

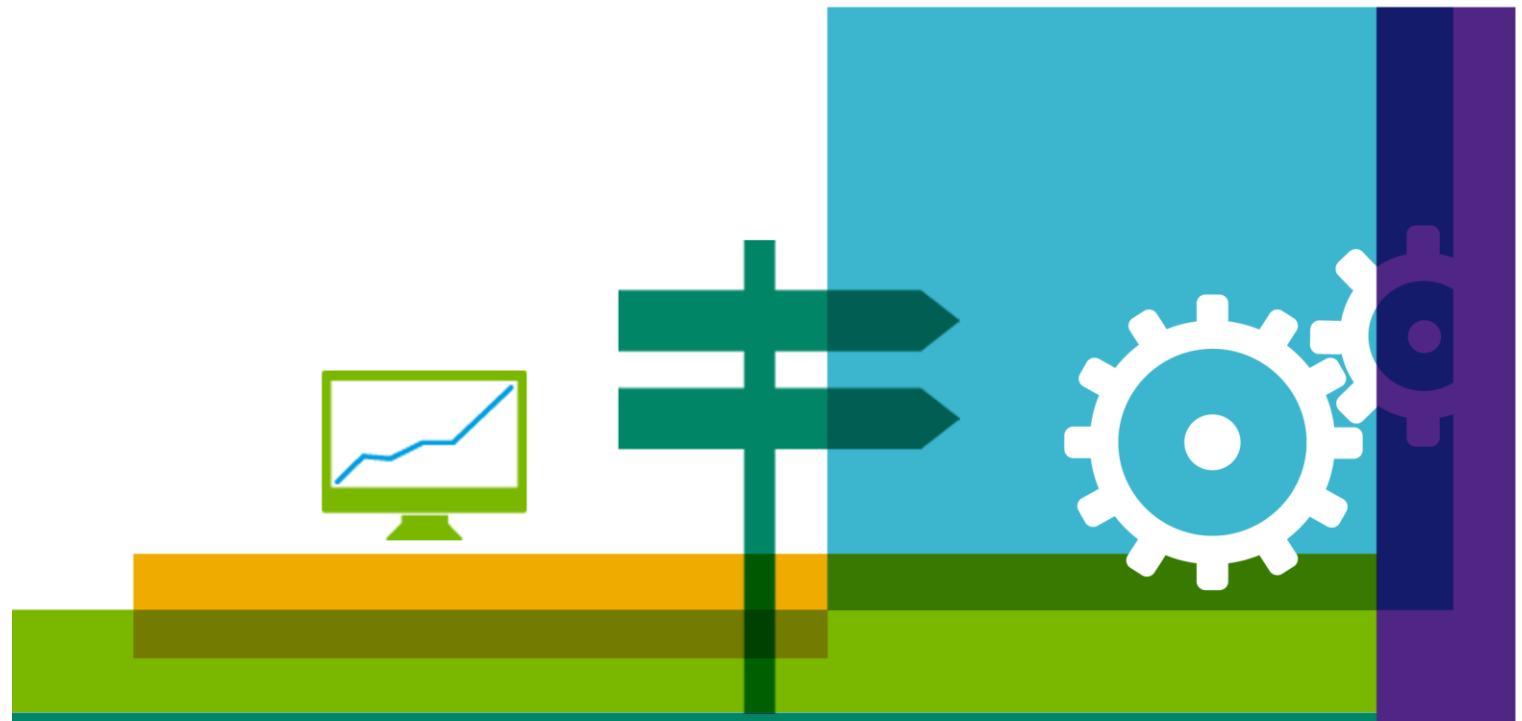
- 5.9.1 Not applicable in the context of this report.

## **6. BACKGROUND PAPERS**

- 6.1 None

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# CAPITA



## Report to the London Borough of Barnet September 2020

London Borough of Barnet Pension Fund

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## 1. Introduction

This report covers the overall administration, engagement with members and employers and Service Delivery of the London Borough of Barnet Pension Fund and the activities covered within the month of August 2020.

## 2. Executive Summary

Headlines	
1	<p>During the period 1701 BAU cases were completed. New cases opened in the month reduce to 2335 compared to 2611 in August.</p> <ul style="list-style-type: none"><li>○ 1265 were completed within target</li><li>○ Overall performance reduced slightly compared to August as progression of completion of aged cases continued.</li><li>○ We also continued to work through the aged 3<sup>rd</sup> party cases which could also potentially impact performance next month.</li><li>○ The team manager is reviewing data queries raised as part of the data migration to WYPF and will allocate to the team for advice where required.</li></ul>
2	PSS statements on track to issue by the statutory deadline
3	Throughout September, we continued with the remediation work prior to the pension administration transitioning to WYPF in November 2020.

The below table outlines a summary of the transactions in the period:

Case Group / Category	Volumes
<i>All work outstanding at the beginning of the period</i>	<b>3988</b>
<i>Cases received in the period</i>	<b>2335</b>
<i>Cases completed in the period</i>	<b>1701</b>
<i>Cases re-categorised during the period</i>	<b>858</b>
<b><i>All work outstanding at the end of the period</i></b>	<b>3764</b>
<i>Number of outstanding cases awaiting 3rd party information</i>	<b>2538</b>
<i>Number of workable items</i>	<b>1226</b>
<b>Total</b>	<b>3764</b>
<i>Cases completed within standard LGPS targets</i>	<b>1265</b>

### 3. Performance Breakdown

#### Performance Breakdown

In order to provide a greater understanding of the key transactions completed in the period, the following table sets out our performance against those transactions showing the starting and finishing position and the performance level achieved against each Case Type in the period.

The overall performance level for September was 74.37%. The core team continued to deal with the remediation work alongside BAU.

We continue to experience an increase in questions as part of the transition to WYPF as well as additional updates required at by the Client. The queries continue to be reviewed by the Team Manager, supported by her team.

Case Group	Start	Received	Completed	Terminated	Carried F/Ward	Completed Within	SLA %
<i>Change of details</i>	35	132	104	14	49	81	<b>77.88%</b>
<i>Enquiries</i>	126	561	342	192	153	216	<b>63.16%</b>
<i>Request for Estimate of Benefits</i>	103	146	76	94	79	46	<b>60.53%</b>
<i>Leavers</i>	1874	139	117	63	1833	36	<b>30.77%</b>
<i>New Starters</i>	64	45	77	26	6	76	<b>98.70%</b>
<i>Retirements</i>	403	98	60	38	403	44	<b>73.33%</b>
<i>Transfers In</i>	118	26	21	5	118	13	<b>61.90%</b>
<i>Transfers Out</i>	46	26	17	3	52	11	<b>64.71%</b>
<i>Bereavements</i>	195	28	29	14	180	24	<b>82.76%</b>
<i>Other</i>	1024	1134	858	409	891	718	<b>83.68%</b>
<b>Total</b>	<b>3988</b>	<b>2335</b>	<b>1701</b>	<b>858</b>	<b>3764</b>	<b>1265</b>	<b>74.37%</b>

# Service Delivery Report

## September 2020

SLA Tracker												
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Case Group	April SLA	RAG	May SLA	RAG	June SLA	RAG	July SLA	RAG	Aug SLA	RAG	Sept SLA	RAG
Change of details	93.06%	Green	92.77%	Green	70.59%	Red	71.32%	Red	88.46%	Yellow	77.78%	Red
Enquiries	96.26%	Green	90.12%	Green	72.57%	Red	81.15%	Yellow	85.46%	Yellow	63.16%	Red
Request for Estimate of Benefits	100.00%	Green	100.00%	Green	69.23%	Red	84.00%	Yellow	77.42%	Red	60.53%	Red
Leavers	90.43%	Green	84.00%	Yellow	67.78%	Red	67.50%	Red	63.16%	Red	30.77%	Red
New Starters	83.33%	Yellow	100.00%	Green	97.78%	Green	80.36%	Yellow	87.00%	Yellow	98.70%	Green
Retirements	87.50%	Yellow	84.91%	Yellow	75.76%	Red	72.22%	Red	77.42%	Yellow	73.33%	Red
Transfers In	77.78%	Red	90.00%	Green	90.00%	Green	100.00%	Green	44.44%	Red	61.90%	Red
Transfers Out	100.00%	Green	77.78%	Red	73.33%	Red	93.75%	Green	71.43%	Red	64.71%	Red
Bereavements	94.12%	Green	82.61%	Yellow	74.29%	Red	88.10%	Green	74.42%	Red	82.76%	Yellow
Other	98.04%	Green	97.15%	Green	84.97%	Yellow	91.43%	Green	89.00%	Yellow	83.68%	Yellow
<b>Total</b>	<b>94.84%</b>		<b>94.53%</b>		<b>80.83%</b>		<b>85.92%</b>		<b>86.41%</b>		<b>74.37%</b>	

For the purposes of SLA reporting, a RAG rating is assigned based on the following levels of compliance:

- Lower than 80% - **RED**
- Between 80% and 90% - **AMBER**
- Over 90% - **GREEN**

Work in Progress Position												
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The following table provides a breakdown of the age profile of the cases that can be progressed by Capita and those cases that require third party information before further action can be taken as summarised in Table 1.

**Table 3: Case Age Summary**

<3 Months		3 - 6 Months		6 - 12 Months		12 - 18 Months		18 - 24 Months		>24 Months	
Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party
1169	901	33	408	15	640	1	220	5	205	3	164

A complete breakdown of all outstanding casework split between workable items and non-workable items is shown as an Appendix 1.

### Remediation work

Although work continues in this area, the volume of responses has reduced. Although the main focus will be new cases, those cases where a response is received and is returned from 3<sup>rd</sup> party will be completed alongside BAU.

A final update on the outstanding volumes from the radiation plan will be provided in late October.

# Service Delivery Report

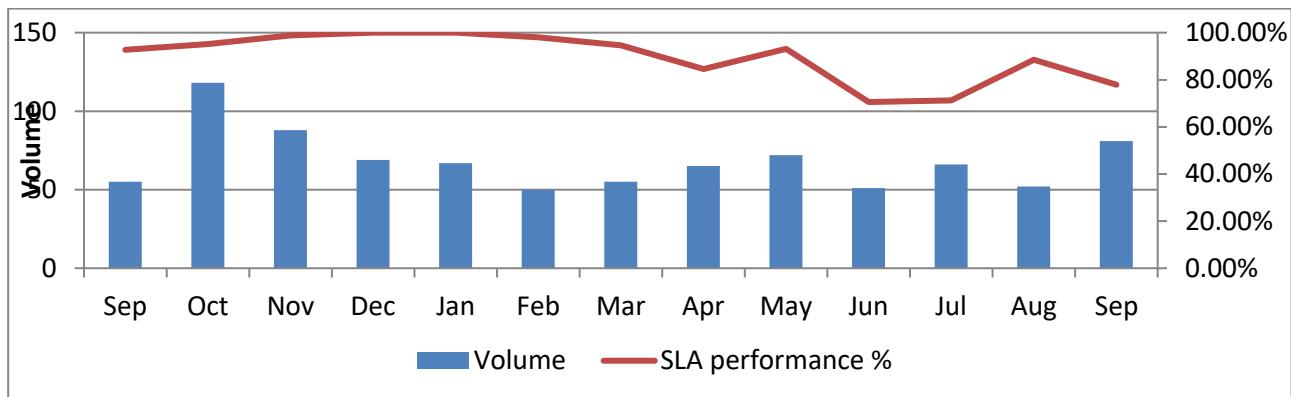
September 2020

## SLA 1 – Change of Personal Details

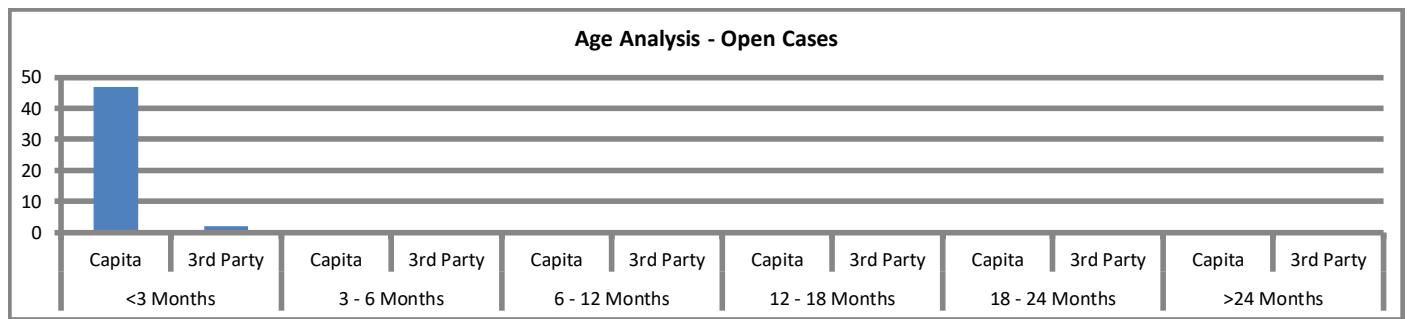
Process change to member details within 10 days of receipt of request

SLA Performance Percentage

**77.78%**



Volume received in the period	132
Volume processed in the period	104
Remaining open cases (age analysis below)	49



Case volumes have increased with a decrease in performance. No cases open more than 3 Months old.

# Service Delivery Report

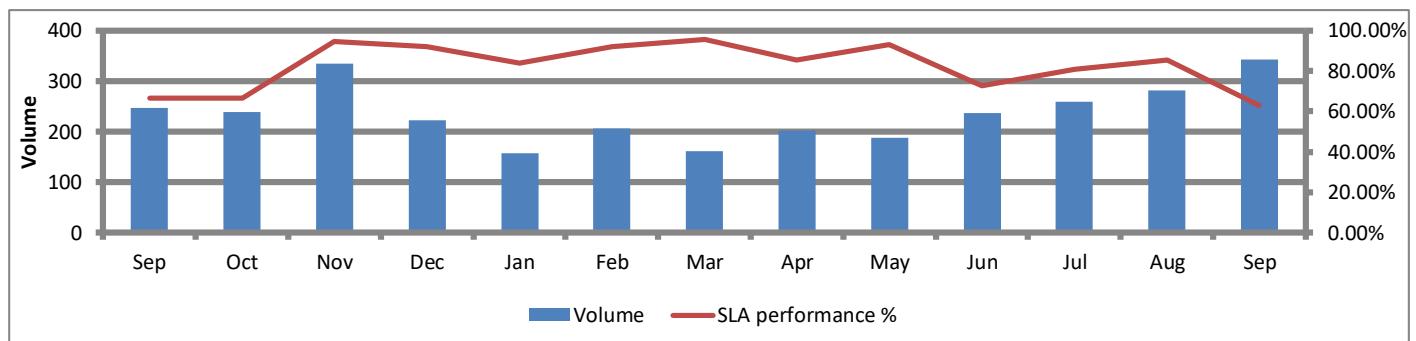
## September 2020

### SLA 2 – General Enquiries

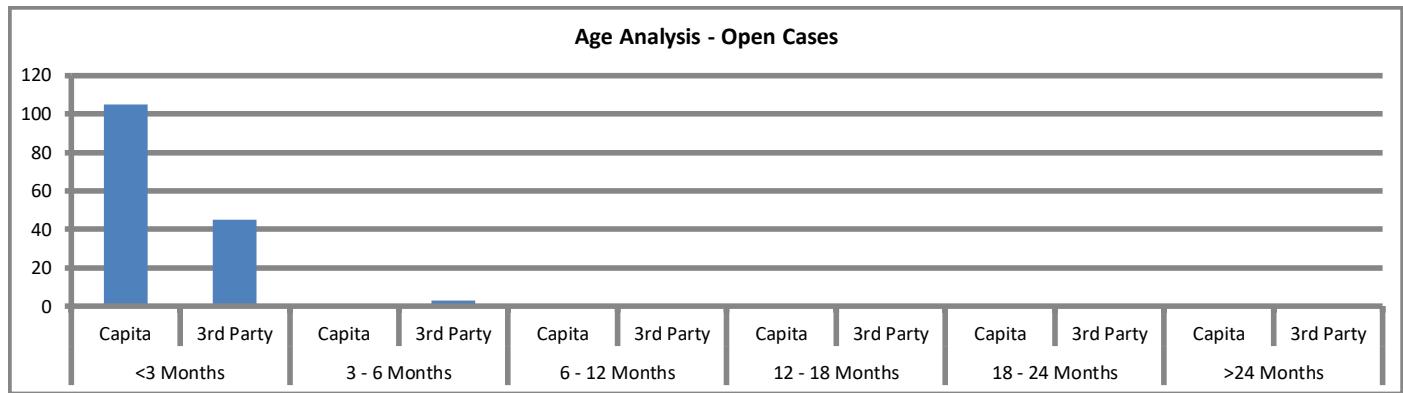
Provide a response to member or beneficiary within 10 days of receipt of correspondence

SLA Performance Percentage

**63.16%**



Volume received in the period	561
Volume processed in the period	342
Remaining open cases (age analysis below)	153



Case volumes increased for the 4th Month in a row, SLA performance has decreased. Increase in volumes were a result of reminder activity from the Belfast support team and enquiries received following the issue of the annual benefit statements. No cases open more than 3 Months old.

# Service Delivery Report

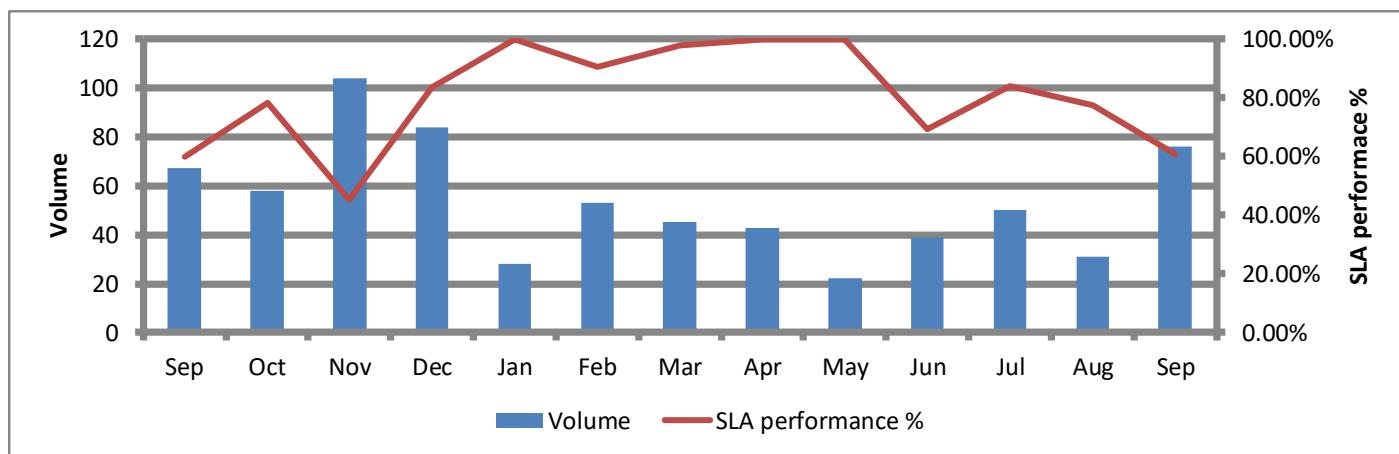
## September 2020

### SLA 3 – Request for Estimate of Benefits

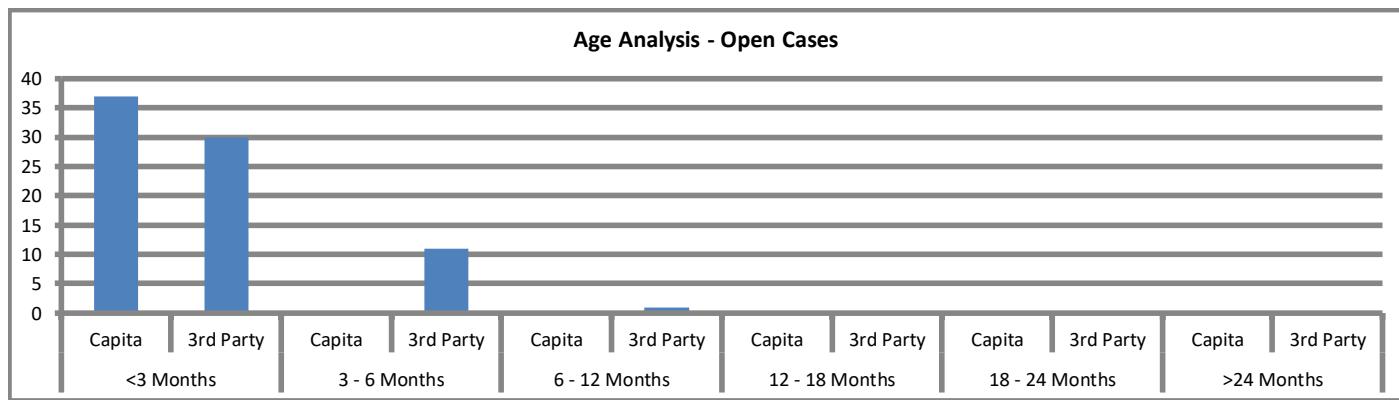
Issue benefit quotation within 10 days of receipt request

SLA Performance Percentage

**60.53%**



Volume received in the period	146
Volume processed in the period	76
Remaining open cases (age analysis below)	79



Case volumes have increased this Month and SLA Performance has also decreased. Increase in estimates follows the usual trend at this time of year.

# Service Delivery Report

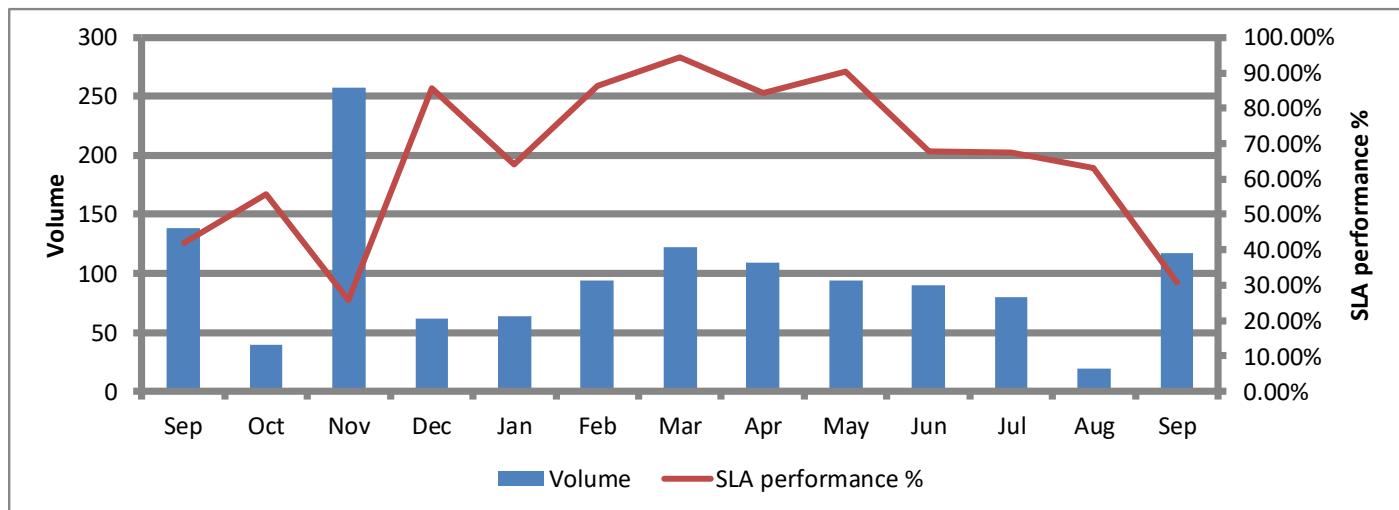
## September 2020

### SLA 4 – Leavers

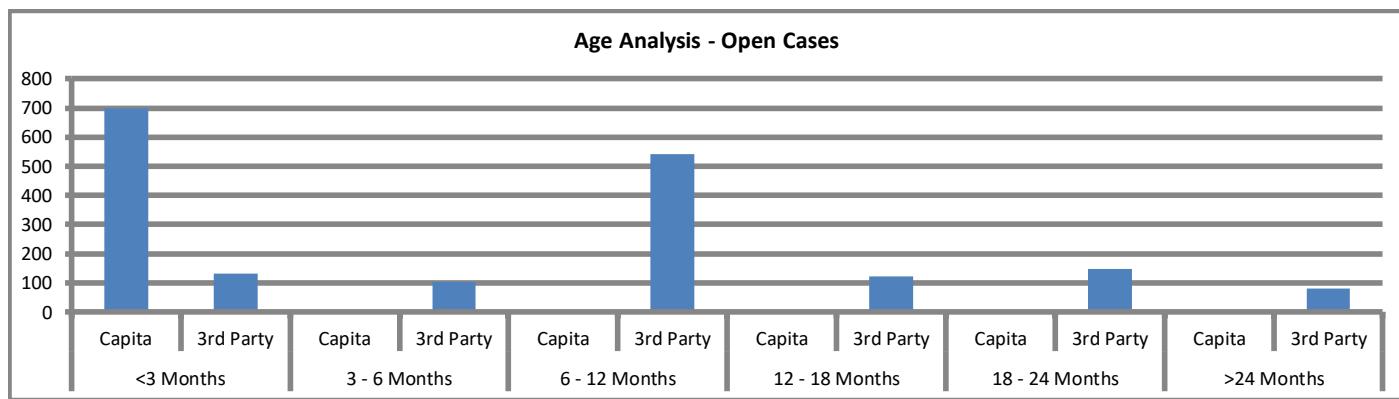
Provide statement of Preserved Benefits within 20 days of notification of exit  
Process payment of refund of contributions within 10 days of receipt of notification

SLA Performance Percentage

**30.77%**



Volume received in the period	139
Volume processed in the period	117
Remaining open cases (age analysis below)	1833



Case volumes have increased while the SLA Performance has decreased, case work focus has been on Retirements and bereavement cases. Effort was assigned to clearance of some aged cases this month.

# Service Delivery Report

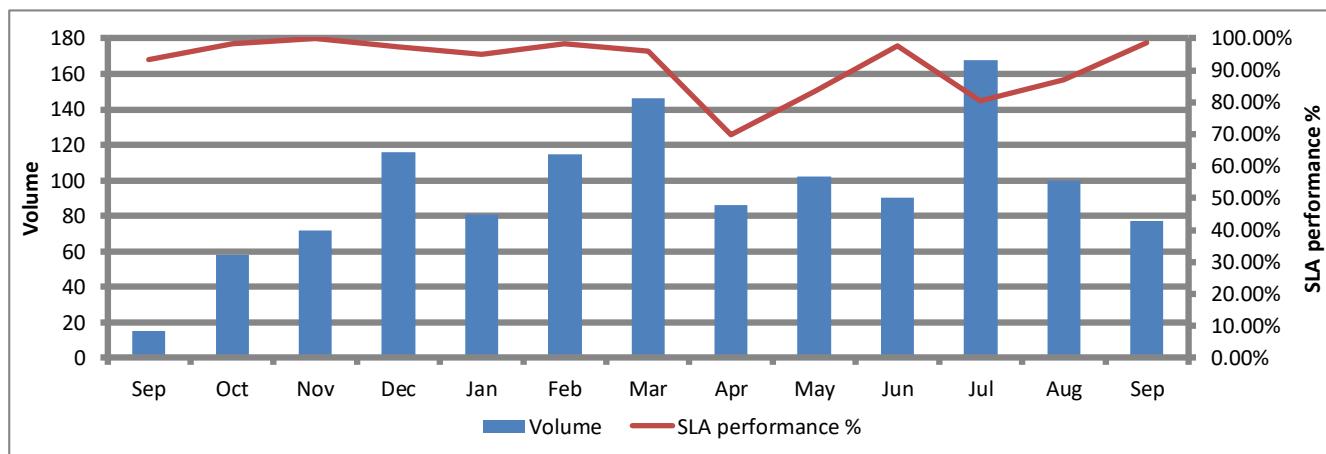
September 2020

## SLA 5 – New Starters

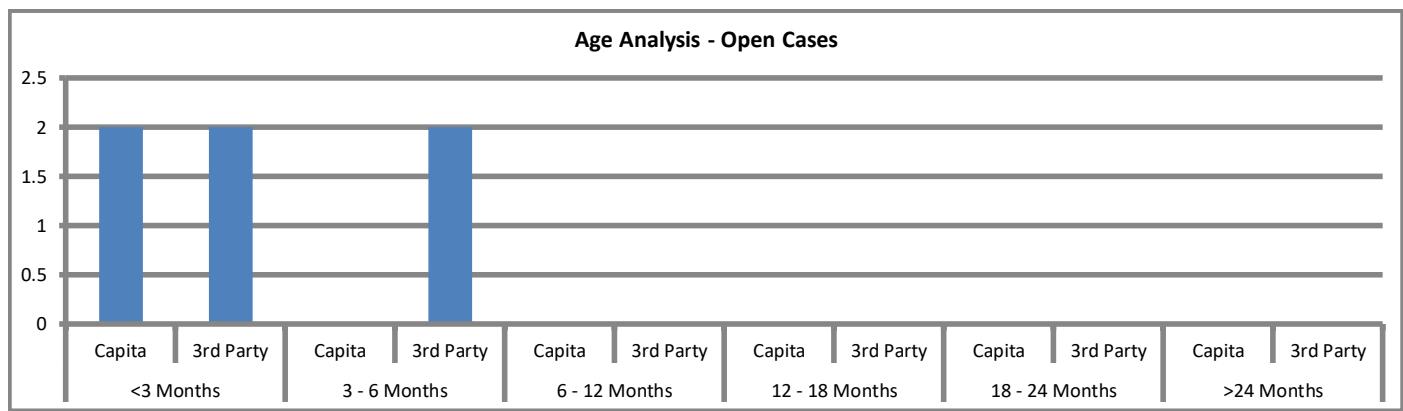
Creation of system record within 4 days of receipt of notification

SLA Performance Percentage

**98.70%**



Volume received in the period	45
Volume processed in the period	77
Remaining open cases (age analysis below)	6



New starter cases have decreased for the 2nd month. Performance has increased against SLA compliance.

# Service Delivery Report

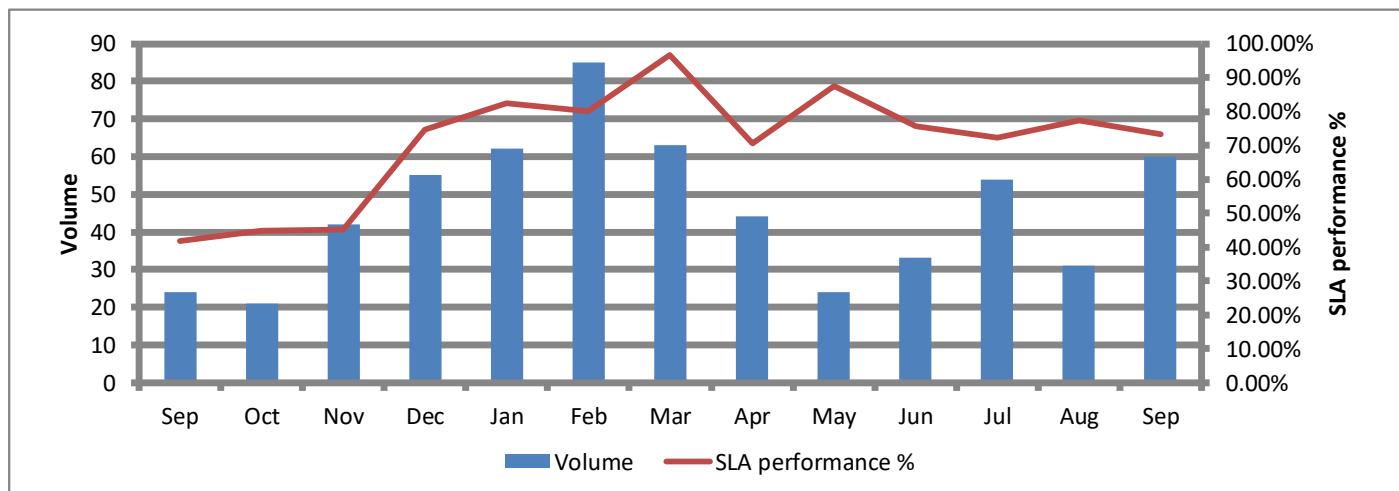
September 2020

## SLA 6 – Retirements

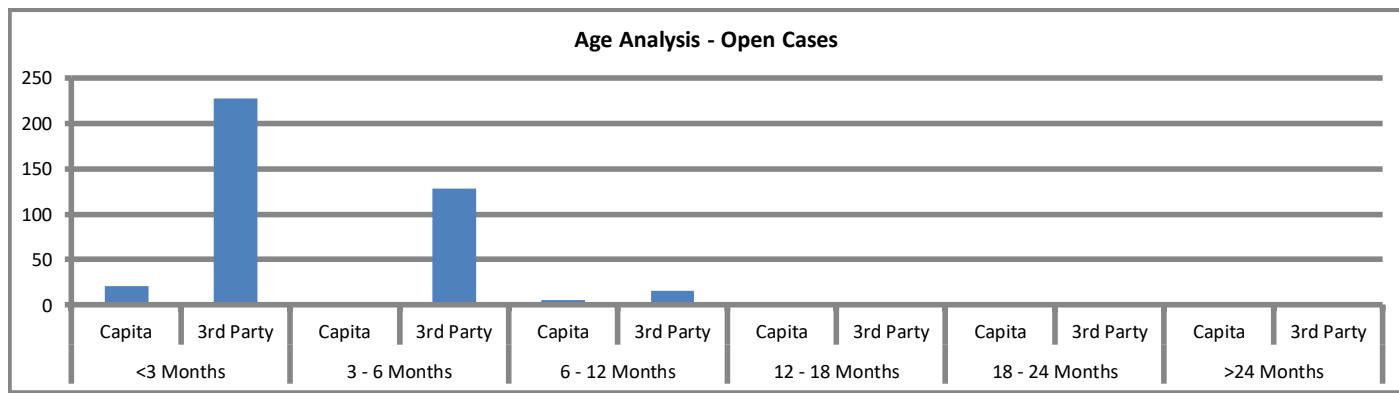
Issue retirement quote within 10 days of receipt of request & Issue retirement quote within 10 days of receipt of request

SLA Performance Percentage

**73.33%**



Volume received in the period	98
Volume processed in the period	60
Remaining open cases (age analysis below)	403



A significant increase in cases received this month, the increase in volumes resulted in us not achieving the result we had anticipated.

# Service Delivery Report

September 2020

## SLA 7 – Transfer In

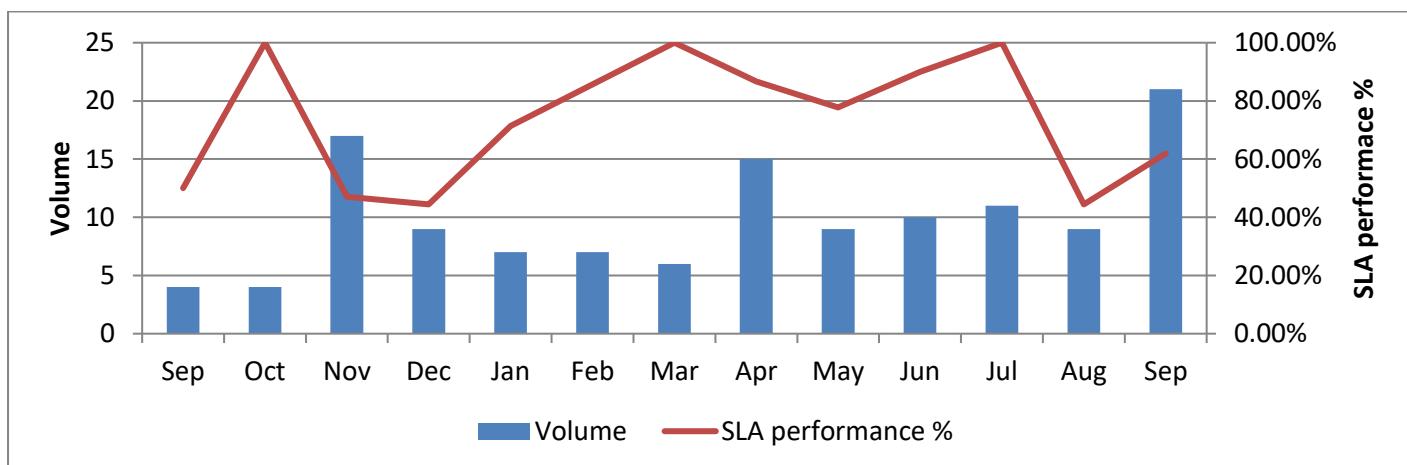
Issue request for transfer details to previous scheme within 5 days of receipt

Issue request for payment of transfer value within 10 days of receipt of member's confirmation to proceed

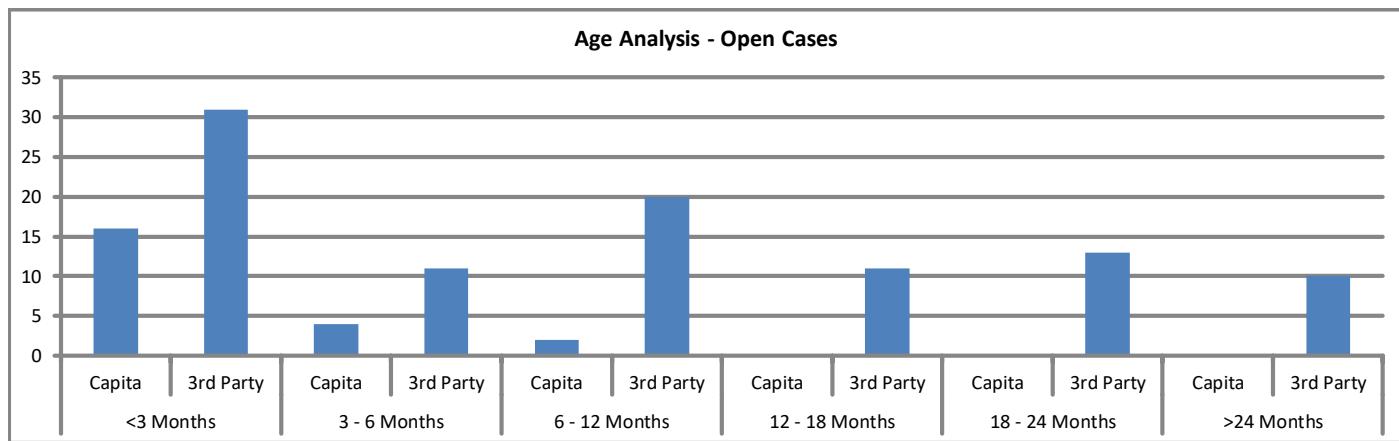
Update member record with details of transfer in within 7 days of receipt of transfer value payment.

SLA Performance Percentage

# 61.90%



Volume received in the period	26
Volume processed in the period	17
Remaining open cases (age analysis below)	52



Volume of cases has more than doubled this Month with the SLA performance increasing. This is again a trend that follows the issue of annual benefit statements.

# Service Delivery Report

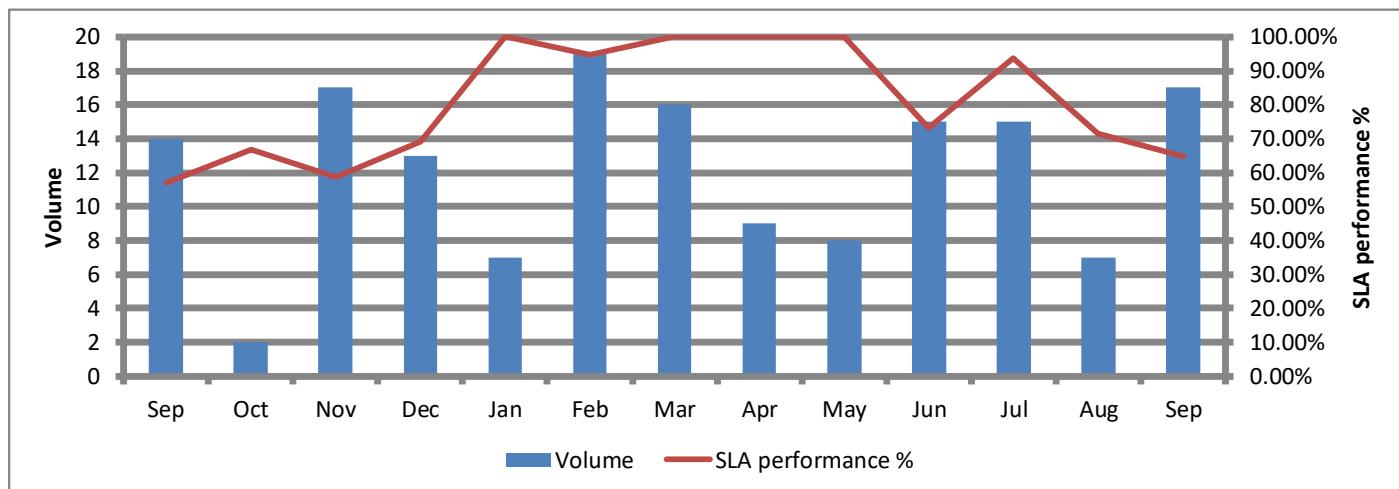
September 2020

## SLA 8 – Transfer Out

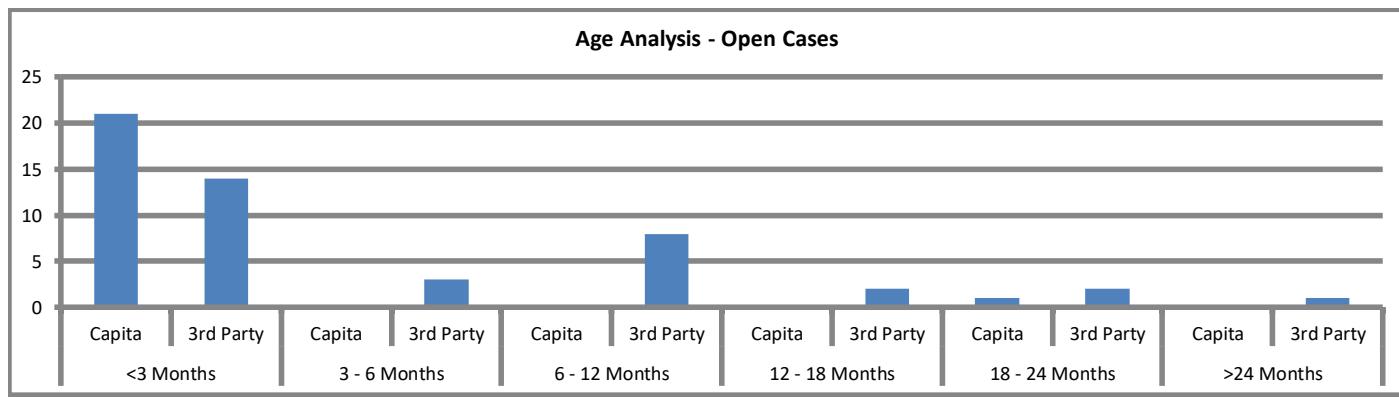
Provide details of deferred pension and TV value within 20 days of receipt of request from new scheme  
Process payment of transfer value within 10 days of receipt of members confirmation to proceed

SLA Performance Percentage

**64.71%**



Volume received in the period	26
Volume processed in the period	17
Remaining open cases (age analysis below)	52



Volume of cases has more than doubled this Month with the SLA performance dropping slightly. This is again a trend that follows the issue of annual benefit statements.

# Service Delivery Report

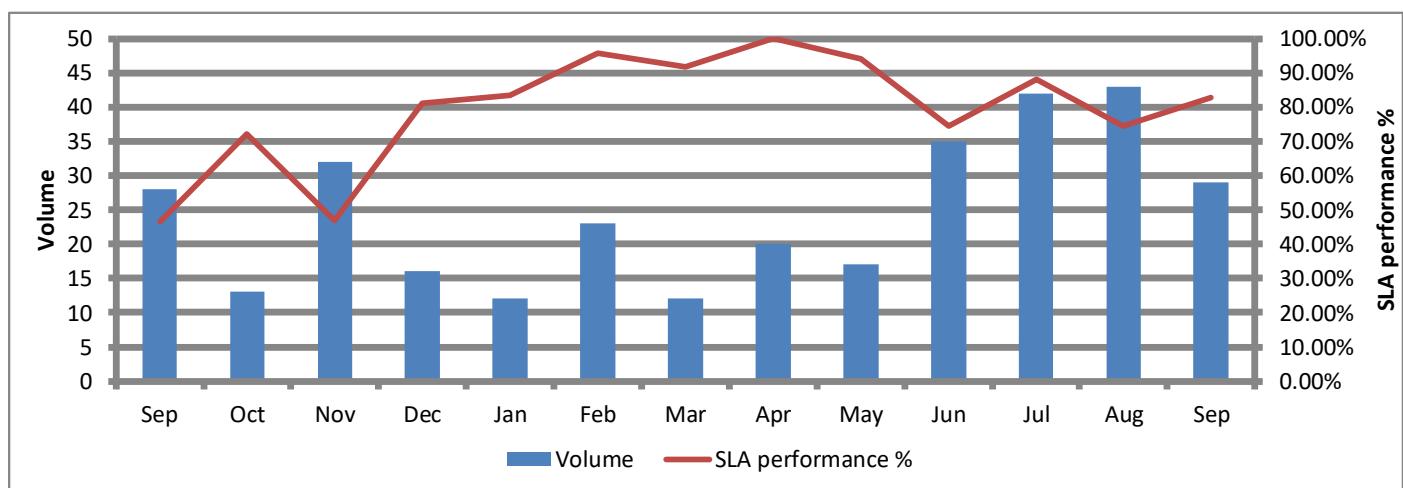
September 2020

## SLA 9 – Bereavements

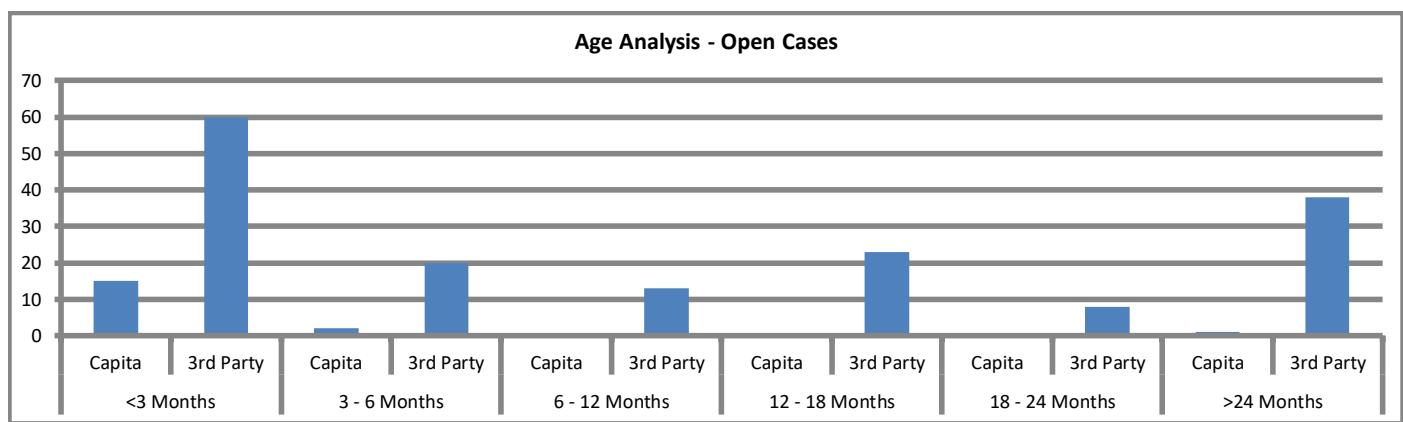
Issue details of benefits payable and death lump sum all due within 5 working days

SLA Performance Percentage

**82.76%**



Volume received in the period	28
Volume processed in the period	29
Remaining open cases (age analysis below)	180



The volume of cases received has decreased this Month. Performance increased against SLA compliance; this has been a case type to work as a priority, although the overall score has been impacted by cases returning from 3<sup>rd</sup> party.

# Service Delivery Report

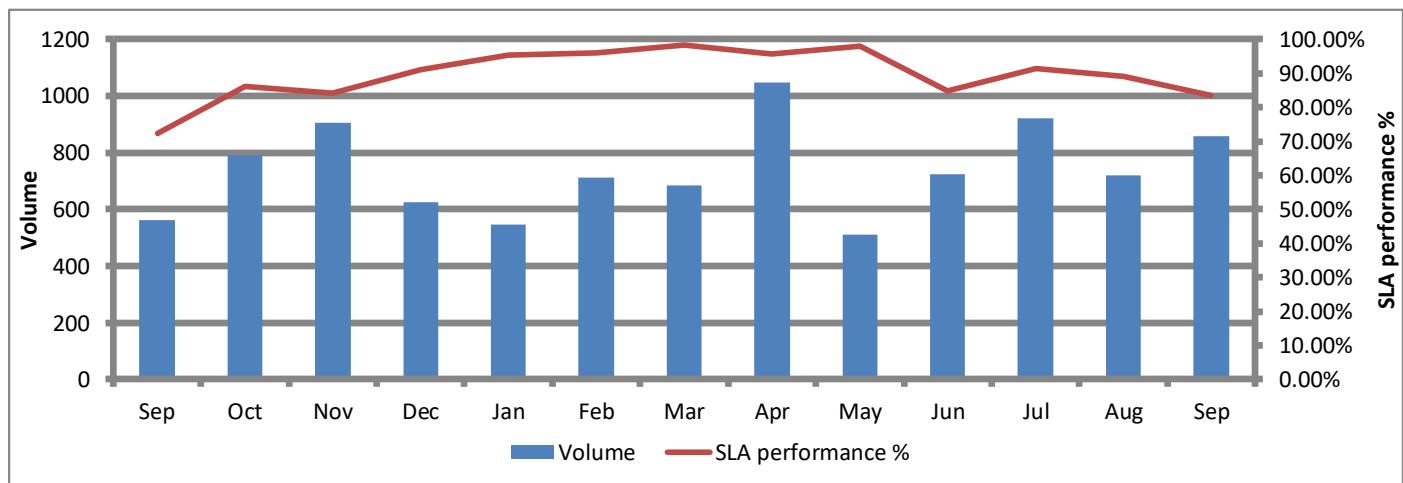
## September 2020

### SLA 10 – Other

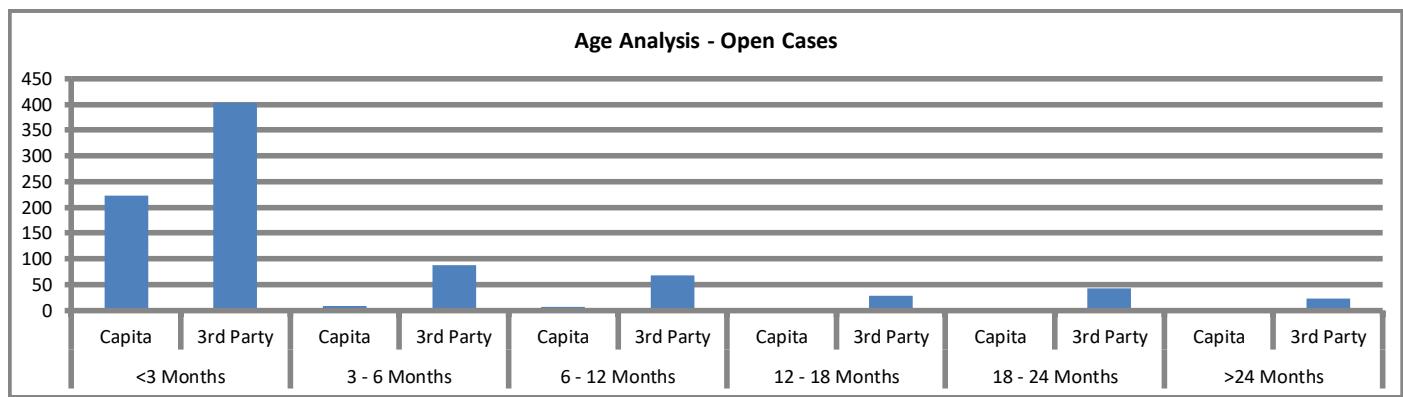
Issue appropriate documentation / response to requests for information within 10 days of receipt of request

SLA Performance Percentage

**83.68%**



Volume received in the period	1134
Volume processed in the period	858
Remaining open cases (age analysis below)	891



Case volumes have increased this month while SLA performance dropped very slightly.

# Service Delivery Report

September 2020

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## Member Helpline

There were 895 calls offered during August; slight increase in comparison to July.

Analysis of the reason for contact indicates the split of calls across the following options:

- Bereavement 60
- Changes 62
- Pension / Tax 391
- General 381
- P60 14

	Volume	%
Calls Offered	908	
Calls Answered	860	94.71%
Calls Abandoned	48	5.29%

Average Handling Time	403 seconds
Average queue time – Darlington	100 Seconds
Percentage of calls answered in 30 seconds	57.03%

## 4. Quality Management

### Quality Checking (QC)

Quality Checking (QC) is a process to assess an individual's competence in a particular task (or tasks) or if the complexity or risk of the task determines checking is required. It is always completed prior to the issue of any output. QC is carried out by the BAU Teams and can vary according to individual skill level, contract requirement, site and scheme. Only those who are fully competent complete QC, however it is not acceptable for someone who's own accuracy or competence level is below standard to quality check another's work. The individual who completes the QC must be different to who processed the case.

QC provides an assurance on customer experience, accuracy of processing and ongoing achievement of competency levels. Customer satisfaction is monitored through the volume of repeat enquiries and complaints with a root cause associated with the accuracy of transactions processed.

Overall quality performance is 99.7% for the month of September. There were 2669 transactions reviewed, of these there were 9 errors identified. The cases can be broken into 3 areas, request not full complete, system not updated correctly and written communication unclear. Cases were returned for correction prior to issue to member.

### Complaints

The table below shows the age profile of outstanding complaints.

There are currently 9 outstanding complaints. All cases are actively chased, or action is complete and awaiting final responses to be issued.

Category	0 to 10 days	11 to 20 days	21 to 40 days	41 + days
Bereavement				
Transfer	2			
Retirement	1	3	1	2
Other				
TOTAL	3	3	1	2

The cases currently outstanding have a root cause of as follows:

Root Cause	Volume
Delay	6
Communication	2
Calculation	1

# Service Delivery Report

## September 2020

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### Closed in month

Member	Date of Receipt	Details of Case
Member EM	01/04/2020	Delay in retirement application
Member EO	11/05/2020	Member requires transcript of communications
Member ER	23/07/2020	Delay in providing retirement application

### Outstanding complaints

Member	Date of Receipt	Details of Case
Member EP	09/06/2020	Delay in providing retirement options
Member ES	09/06/2020	Delay in providing breakdown of retirement benefits
Member EU	09/06/2020	Delay in retirement
Member EV	09/06/2020	Delay in retirement
Member EW	09/06/2020	Delay in transfer
Member EX	09/06/2020	Delay in transferring AVC to SIP
Member EY	09/06/2020	Lack of communication
Member EZ	09/06/2020	Overpayment
Member FA	09/06/2020	Unhappy with decision in relation to retirement

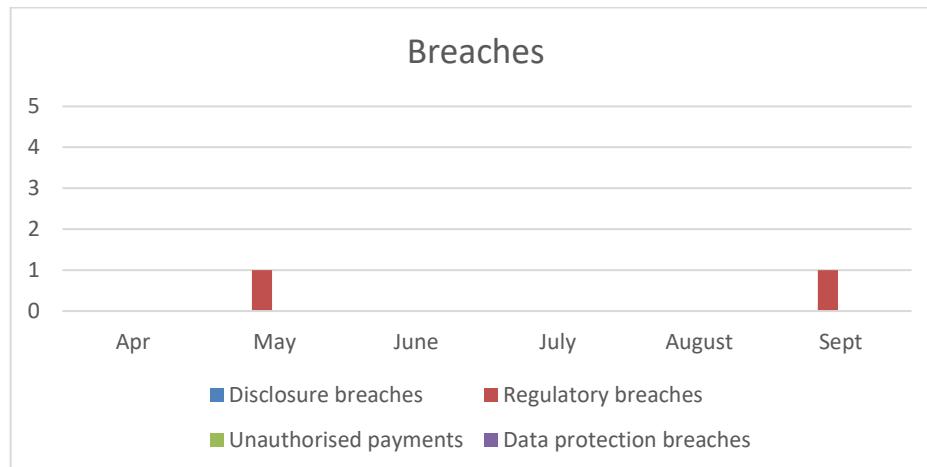
# Service Delivery Report

## September 2020

## 5 Regulatory Compliance

The table below is a summary table of the breaches logged

Breaches logged	Mar	Apr	May	June	July	August
Disclosure breaches	0	0	0	0	0	0
Regulatory breaches	0	0	1	0	0	0
Unauthorised payments	0	0	0	0	0	0
Data protection breaches	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>



### Disclosure Breaches

In the event of breach in disclosure requirements, a report detailing the reason and the corrective action taken will be provided

Breaches logged	Apr	May	June	July	August	Sept
Disclosure breaches	0	0	0	0	0	0

In the event of breach in disclosure requirements, a report detailing the reason and the corrective action taken will be provided

### Commentary:

No cases to report

### Regulatory Breaches

The Pensions Act 2004 requires reporting breaches, or potential breaches of the regulations to The Pensions Regulator (TPR). Breaches will also be reported to the London Borough of Barnet. Where breaches occur, they will be classified under the following levels:

# Service Delivery Report

## September 2020

Status	Description
Red	A breach may pose a risk to members' interests. This breach is reportable to TPR and the London Borough of Barnet immediately.
Amber	A breach depends on individual circumstances. This breach has been investigated and a decision made if it is reportable to TPR.
Green	A breach that is an isolated incident and not reportable to TPR.

Breaches logged	Apr	May	June	July	August	Sept
Regulatory breaches	0	1	0	0	0	1

### Commentary:

Overpayment case as a result of incorrect record. An isolated incident.

### Unauthorised payments

The Registered Pension Schemes (Provision of Information) Regulations 2006 legislates for unauthorised payments. If an unauthorised payment, or a potential unauthorised payment is discovered, the London Borough of Barnet will be notified.

Breaches logged	Apr	May	June	July	August	Sept
Unauthorised payments	0	0	0	0	0	0

### Commentary:

No cases to report

### Data Protection Breaches

Breaches logged	Apr	May	June	July	August	Sept
Data protection breaches	0	0	0	0	0	0

### Commentary:

No cases to report

## 6 Risks

**Significant Risks update**

Section Under Review

## 7 Finance

### 7.1 Finance Dashboard

	Task to be measured	RAG status			Task description	Contract measure	RESULTS (in % terms where grey)			Measurement
		Previous	Current	Forecast*			Last month	This month	Movement	
ACCOUNTS	Closing bank balance	Green	Green	→	Balance in Capita re. LBB bank account at the month-end	n/a	4,524,689.97	4,489,729.66	-34,960.31	n/a - movements monitored via cashflow and reconciliation
	Submit Integra journal to LBB	Green	Green	→	Month-end AcLink Trial Balance finalised and checked before figures are populated to the integra journal, checked and signed off	WD10	WIP	WIP	n/a	by WD 10
	Bank account reconciliation	Green	Green	→	Reconcile bank account per AcLink Trial Balance. Due by working day 10 hence reported one month in arrears on dashboard	Reported to CES risk team monthly	WIP	WIP	n/a	by WD 10
	Control account reconciliations	Green	Green	→	Volume of reconciled control accounts per AcLink Trial Balance. Due by working day 10 hence reported one month in arrears on dashboard	Reported to CES risk team monthly	WIP	WIP	n/a	by WD 10
PAYROLL	Barnet payrolls ran and paid on time	Green	Green	→	Confirmation that both Barnet payrolls (mid-month and month-end) were processed and paid on time	n/a	2	2	0	All payrolls ran and paid on time, if not then RED
	Volume of payments processed	Green	Green	→	Total number of payments processed per the payroll control reports	n/a	8,083	8,120	-0.46%	Green = less than 1%, Amber = less than 5%, Red = greater than 5%
	Volume of rejected payments	Green	Green	→	Total number of payments rejected per the payroll control reports	n/a	0	3	-3	Green = less than 1%, Amber = less than 5%, Red = greater than 5%
	% of rejects versus payments paid	Green	Green	→	Percentage of rejected records against payments processed	n/a	0.00	0.04	-0.04	Green = less than 1%, Amber = less than 5%, Red = greater than 5%
	HMRC PAYE payover	Green	Green	→	PAYE due is paid to HMRC in line with statutory payment deadlines	Statutory deadline = 22nd	Completed	n/a	n/a	Green = Paid by 22th, Amber = Late, Red = Outstanding
	HMRC AFT returns	Green	Green	→	AFT returns due are reported and paid to HMRC in line with statutory payment deadlines	Statutory deadline = paid within 45 days of quarter ending	Completed	n/a	n/a	Green = All paid on time, Amber = any paid late, Red = any outstanding

# Service Delivery Report

## September 2020

CONTRIBUTIONS	Late payers of contributions			→	Number of employers failing to pay by the 22nd deadline for current month contributions due	n/a	3	2	-1	Green = less than 5%, Amber = less than 10%, Red = greater than 10%
	Late payers of contributions (%)			→	Number of employers failing to pay by the 22nd deadline for current month contributions due expressed as a % of the current population	n/a	3.0	3.0	0.0	Green = less than 5%, Amber = less than 10%, Red = greater than 10%
	Outstanding current month contributions			→	Number of employers failing to pay by the 22nd deadline for current month contributions due that remain outstanding.	n/a	2	2	0	Green = less than 1%, Amber = less than 5%, Red = greater than 5%
	Outstanding current month contributions (%)			→	Number of employers failing to pay by the 22nd deadline for current month contributions due expressed as a % of the current population	n/a	2.2	2.2	0.0	Green = less than 1%, Amber = less than 5%, Red = greater than 5%
	Outstanding prior month contributions			→	Volume of outstanding prior month contributions due to the scheme	n/a	30	32	2	Green = 5 or less, Amber = 6-10, Red = more than 10
	Outstanding contribution breakdown slips for current month			→	Volume of breakdown slips in respect of the current month outstanding at the month-end	n/a	0	1	1	Green = 5 or less, Amber = 6-10, Red = more than 10
	Outstanding contribution breakdown slips for current month (%)			→	Volume of outstanding current month contribution breakdown slips expressed as a % of the current population	n/a	0	1	1.1	Green = less than 1%, Amber = less than 5%, Red = greater than 5%
	Volume of outstanding contribution breakdown slips for prior month			→	Volume of breakdown slips in respect of prior months outstanding at the month-end	n/a	0	0	0.00	Green = Less than 10, Amber 10-20, Red = 21 plus
	Current month employer tolerance breaches			→	Volume of employers where current month's contributions create a tolerance breach (current measure is 10%)	n/a	3	1	-2.00	Green = Less than 10, Amber 10-20, Red = 21 plus
	Employer new breakdown form submissions			→	Volume of employers submitting new contributions form expressed as a % of the employer population	n/a	100	99	-1.00	Green = 95-100%, Amber = 90-94.9%, Red = below 90%
	Member contributions data coverage			→	Approximate coverage of member contributions data expressed as a % of the member population	n/a	100	99	-1.00	Green = 95-100%, Amber = 90-94.9%, Red = below 90%
	Total volume of employers with rate variances to investigate.			→	Total volume of employers who have not paid at the expected rate based on the Hyman Valuation Report.	n/a	2	2	n/a	Green = Less than 5, Amber = 5 - 20, Red = 20 plus

# Service Delivery Report

## September 2020

DEBT	Volume of overpayments invoices			→	Volume of new member overpayments invoices raised during the current month	n/a	18	12	-6	Green = Less than 10, Amber 10-20, Red = 21 plus
	Value of overpayment invoices			↓	Value of new member overpayments invoices raised during the current month	n/a	9,068	6,875	-2,193	Green = less than £2.5k, Amber £2.5k - £5k, Red = £5k plus
	Volume of outstanding overpayment invoices			→	Volume of all outstanding member overpayment invoices as at the month-end	n/a	45	47	2	Green = less than 250 cases, Amber = 250-500 cases, Red = 500 cases plus
	Value of outstanding overpayment invoices			→	Value of all outstanding member overpayment invoices as at the month-end	n/a	79,224	66,148	-13,076	Green = Less than £250k, Amber = £250k - £500k, Red = £500k plus
	Volume of employer strain invoices			→	Volume of new employer strain invoices raised during the current month	n/a	0	0	0	Green = Less than 10, Amber 10-20, Red = 21 plus
	Value of employer strain invoices			↓	Value of new employer strain invoices raised during the current month	n/a	0	0	0	Green = Less than £100k, Amber £100k-£200k, Red = £200k plus
	Volume of outstanding strain invoices			→	Volume of all outstanding employer strain invoices as at the month-end	n/a	24	21	-3	Green = less than 20, Amber = 20-50, Red = 51 plus
	Value of outstanding strain invoices			→	Value of all outstanding employer strain invoices as at the month-end	n/a	648,175	583,993	-64,181	Green = Less than £400k, Amber £400k-£1m, Red = £1m plus

\*NOTE - the forecast arrows reflect the expected RAG status next month following management assessment of any relevant historical trends, current month performance to date and known activities through to the month-end likely to impact - both positively and negatively - on the final positions

## 7.2 Finance and Payroll Executive Summary

Headlines	
1	Finance dashboard features one red flag measure for this month, all other measures reported green or amber results (outstanding prior months contributions re. Green Sky Cleaning and below)
2	New reporting measurement to monitor exact employer rates added to contributions report last month has seen a change from Red to Green
3	This month has no potential regulator reportable items

### ACCOUNTS – Reconciliations

The integra journal for September (fed by the general ledger postings download from AccLink) is on course to be submitted by the working day ten deadline at the time of writing. The bank account reconciliation is completed as part of this exercise and the control account reconciliations are also on schedule to be completed on time. We can confirm that last month's versions were completed on time.

The monthly cashflow tracker did not highlight any points of note and this continues to be monitored on a daily basis.

### ACCOUNTS – Audit

All audit inputs have been provided by the team as requested to date.

### PAYROLL – Performance across key measures

There were no issues to report in respect of payroll this month with minimal rejected payments reported again.

### CONTRIBUTIONS – Late & Outstanding payers

As consistently reported in previous months reports Green Sky Cleaning, following the takeover by Atlas Cleaning, remains the only employer with potential prior and current month outstanding contributions to the scheme per annex LBB-01. As a result, we report a red dashboard measure in respect of prior months outstanding contributions.

LBB-02 reports 2 late payers, they both paid within 3 days. These employers have been contacted and have been reminded of the payment dates each month.

### CONTRIBUTIONS – Missing Breakdown Forms

Annex LBB-03 reported no employers for failure to submit key data within the forms received. Annex LBB-04 reported one employer who have failed to submit their contribution forms for the month

Data coverage – The finance dashboard reported 99% of employers submitting a new form correctly.

# Service Delivery Report

## September 2020

### **CONTRIBUTIONS – Analytics Review inc. tolerance breaches, rate check**

Annex LBB-05 reporting one employer who has breached the 10% tolerance, they will fall into the standard chaser process to determine the reason behind the variance.

Annex LBB-06 has identified 1 employer who have not paid the correct rate against the expected value for the months of May & June. Contact has been made with resolution agreed next month, the items will remain on the report until resolved.

### **CONTRIBUTIONS – The Pensions Regulator Breach Reporting**

There were no items are reportable this month.

### **DEBT – Member Overpayments**

Twelve new overpayments were raised during September worth £6.8k. The outstanding balance at the month-end was £66k down £13k on last month with an increase of 2 cases.

The September Debtor Report, consisting of member overpayments and strain invoices, will be shared with LB of Barnet.

### **DEBT – Employer Strain Costs**

We are reporting no new strain invoices this month. The current volume of outstanding invoices is 21 – down by 3 on last month and are worth £583k down from £648k last month.

### **PROJECTS – Innovations & IT Developments**

No items to note.

### **PEOPLE MANAGEMENT**

No items to note.

### **FORWARD LOOK**

The main Finance and Payroll priorities looking ahead are:

- Continue to actively review any outstanding cases and take appropriate action.
- Liaise with employers to resolve any queries and chase up outstanding paperwork/payments.
- Contribute to transition plan activities as required.

## 8 Appendices

### Appendix 1

Case Group	<3 Months		3 - 6 Months		6 - 12 Months		12 - 18 Months		18 - 24 Months		>24 Months	
	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party
Change of details	47	1	0	1	0	0	0	0	0	0	0	0
Enquiries	105	45	0	3	0	0	0	0	0	0	0	0
Request for Estimate of Benefits	37	28	0	13	0	1	0	0	0	0	0	0
Leavers	700	121	0	110	1	523	0	146	3	144	1	84
New Starters	2	2	0	2	0	0	0	0	0	0	0	0
Retirements	20	211	3	144	5	16	0	1	0	1	0	2
Transfers In	12	28	7	14	3	19	0	12	0	13	0	10
Transfers Out	19	12	2	5	0	8	0	2	1	1	0	2
Bereavements	15	56	2	23	0	14	0	23	0	8	1	38
Other	212	397	19	93	6	59	1	36	1	38	1	28
Total	1169	901	33	408	15	640	1	220	5	205	3	164

Service Delivery Report  
September 2020

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Appendix 2

Strain costs for 2018/19

Anonymised	Employer	Invoice to:	DoR	In Payt	Actual Strain £	Invoice Date	Invoice No	Date Paid
Member B1	BAR0002	Hendon School / EPM	13/05/2018	Y	15,723.69	23/08/2018	8396	05/03/2019
Member M	BAR0002	Hendon School / EPM	13/05/2018	Y	15,066.41			
Member Ma	BAR0002	Hendon School / EPM	13/05/2018	N				
Member A	BAR0002	Hendon School / EPM	27/07/2018	Y	30,759.83	26/11/2018	8410	
Member H	BAR0018	St Michael's Catholic	31/08/2018	Y	8,596.61	26/11/2018	8401	19/02/2019
Member W	BAR0018	St Michael's Catholic	31/08/2018	Y	94,648.64	26/11/2018	8402	19/02/2019
Member B	BAR0018	St Michael's Catholic	31/08/2018	Y	5,036.20	26/11/2018	8400	19/02/2019
Member G	BAR0085	Capita CSG	01/04/2018	Y	70,207.98	26/11/2018	8411	
Member S	BAR0085	Capita CSG	30/06/2018	Y	42,629.28	14/10/2019	8452	
Member R	BAR0085	Capita CSG	31/05/2018	Y	5,628.56	26/11/2018	8412	
Member K	BARNET	St Paul's C of E	31/08/2018	Y	1,231.48	26/11/2018	8413	
Member C	BARNET	CES - St Paul's C of E	31/08/2018	Y	12,202.53	26/11/2018	8406	
Member Ba	BARNET	Colindale Primary	31/08/2018	Y	28,926.43	26/11/2018	8407	
Member Ka	BARNET	CES - Woodcroft Primary	31/08/2018	Y	1,368.64	26/11/2018	8409	
Member Ca	BARNET	CES - Woodcroft Primary	31/08/2018	Y	424.37	26/11/2018	8408	
Member Aa	BARNET	LBB - N11 1NP	30/04/2018	Y	20,249.07	26/11/2018	8404	03/05/2019
Member J	WSC06463	MSEX UNIV	31/07/2018	Y	31,374.43	06/06/2019	8430	10/01/2020
Member D	WSC06463	MSEX UNIV	16/11/2018	Y	32,070.28	11/02/2019	8420	10/01/2020
Member Bb	WSC06463	MSEX UNIV	30/06/2018	Y	58,855.42	13/08/2018	8395	24/08/2018
Member L	WSC06463	MSEX UNIV	15/03/2019	Y	3,030.56	18/07/2019	8435	19/08/2019
Member Ha	WSC06463	MSEX UNIV	07/12/2017	Y	241.52	11/02/2019	8419	10/01/2020
Member Ga	BARNET	Copthall School	31/10/2015	Y	4,458.34	11/02/2019	8418	
Member La	WSC06463	MSEX UNIV	31/08/2017	Y	3,438.56	14/10/2019	8449	10/01/2020
	BAR0010	Barnet and Southgate College	26/02/2016	Y	21,461.15	15/06/2020	8486	

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Strain cost 2019/20

Anonymised	Employer	Invoice to:	DoR	Actual Strain £	Invoice Date	Invoice No	Date Paid
Member Ja	Barnet Council	Barnet Council	01/04/2019	£ 13,102.16	10/06/2019	8431	
Member Ra	Barnet Council	Barnet Council	10/06/2019	£ 58,682.73	01/07/2019	8432	
Member Lb	Capita CSG	Capita CSG	22/06/2017	£ 2,628.22	19/08/2019	8440	
Member P	St Marys CE Primary	St Marys CE Primary	22/04/2019	£ 1,878.61	19/08/2019	8441	24/09/2019
Member Ha	Barnet Homes	Barnet Homes	30/04/2019	£ 47,476.52	26/09/2019	8446	
Member Cc	Middlesex Uni	Middlesex Uni	31/07/2019	£ 2,965.52	14/10/2019	8447	10/01/2020
Member Lc	Middlesex Uni	Middlesex Uni	31/08/2017	£ 3,438.56	14/10/2019	8449	10/01/2020
Member S	Barnet Council	Barnet Council	01/04/2019	£ 150,583.77	14/10/2019	8450	
Member Oa	Colindale Primary School	Colindale Primary School	31/08/2019	£ 18,727.28	14/10/2019	8451	10/01/2020
Member Sa	Capita CSG	Capita CSG	30/06/2018	£ 42,629.28	14/10/2019	8452	
Member E	Middlesex Uni	Middlesex Uni	31/08/2019	£ 17,950.98	31/10/2019	8453	10/01/2020
Member Ab	Frith Manor primary	Frith Manor Primary	31/05/2019	£ 5,480.29	11/11/2019	8455	
Member Y	St Josephs	St Josephs	31/08/2019	£ 6,995.46	11/11/2019	8457	04/02/2020
Member O	Hollickwood	Capita Carlisle	31/08/2019	£ 14,499.03	11/11/2019	8458	
Member Ta	Middlesex Uni	Middlesex Uni	31/08/2019	£ 31,461.32	19/11/2019	8459	13/12/2019
Member Sb	Middlesex Uni	Middlesex Uni	30/09/2019	£ 3,227.61	19/11/2019	8460	13/12/2019
Member Ha	St Catherines	St Catherines	31/08/2019	£ 2,036.80	21/11/2019	8461	06/12/2019
Member Ld	Middlesex Uni	Middlesex Uni	31/07/2019	£ 4,289.95	19/12/2019	8463	10/01/2020
Member Ad	Middlesex Uni	Middlesex Uni	30/09/2019	£ 93,356.45	19/12/2019	8464	10/01/2020
Member Mc	Middlesex Uni	Middlesex Uni	30/09/2019	£ 9,281.83	31/12/2019	8465	10/01/2020
Member Jb	Middlesex Uni	Middlesex Uni	31/03/2019	£ 8,111.89	07/01/2020	8466	
Member Bd	Middlesex Uni	Middlesex Uni	31/07/2019	£ 18,265.54	07/01/2020	8467	
Member G	Barnet Homes	Barnet Homes	31/05/2019	£ 16,018.44	13/01/2020	8469	
Member T	St Marys CE Primary	St Marys CE Primary	22/04/2019	£ 3,775.39	23/01/2020	8456	

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Member Db	St Catherines	St Catherines	31/12/2019	£ 17,845.80	23/01/2020	8470	07/02/2020
Member Da	Middlesex Uni	Middlesex Uni	30/09/2019	£ -			
Member Ac	St Marys CE Primary	St Marys CE Primary	22/04/2019				
Member Bc	Hollickwood	Capita Carlisle	31/08/2019				
Member W	Middlesex Uni	Middlesex Uni	31/07/2019				
Member Cb	St Marys & St Johns	St Marys & St Johns	31/08/2019				
Member Mb	Hendon School	Hendon School	13/05/2018				
Member F	Middlesex Uni	Middlesex Uni	30/09/2019	£ 10,751.17	13/02/2020	8473	
Member Mc	Hendon School	Hendon School	13/05/2018	£ 15,066.41	13/02/2020	8472	
	All Saints' CofE School	Capita Carlisle	31/10/2019	£ 15,848.95	24/02/2020	8474	
	Underhill School	Underhill School	31/08/2019	£ 1,208.88	28/04/2020	8479	
	Middlesex Uni	Middlesex Uni	31/01/2020	£ 1,271.39	05/05/2020	8480	
Member	Barnet Homes	Barnet Homes	31/08/2019	£ 115,721.56	21/05/2020	8481	
	Capita DRS	Capita DRS	11/03/2020	£ 14,706.18	02/06/2020	8482	
Member	Middlesex Uni	Middlesex Uni	30/06/2020	£ 72,970.73	11/06/2020	8483	
Member	Capita	Capita	31/05/2019	£ 17,117.55	11/06/2020	8484	
Member	Middlesex Uni	Middlesex Uni	31/07/2019	£ 3,487.08	03/08/2020	8490	
Member	Barnet Homes	Barnet Homes	31/03/2020	£ 28,893.42			
Member	Barnet Homes	Barnet Homes	31/03/2020	£ 38,317.28			

Strain cost 2020/21

Anonymised	Employer	Invoice to:	Dor	Actual Strain £	Invoice date	Invoice no	Date paid
	Middlesex Uni	Middlesex Uni	31/12/2019	£ 5,596.81	20/04/2020	8477	
	Barnet Council	Barnet Council	31/08/2020	£ 13,459.04			



## Local Pension Board

AGENDA ITEM 11

17 November 2020

<b>Title</b>	<b>Legislative and Regulatory Update</b>
<b>Report of</b>	Director of Finance
<b>Wards</b>	N/A
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	Appendix 1 – Note on recent legislative and regulatory changes impacting on Local Government Pension Schemes
<b>Officer Contact Details</b>	George Bruce, Head of Pensions 0208 359 7126 <a href="mailto:george.bruce@barnet.gov.uk">george.bruce@barnet.gov.uk</a>
<b>Summary</b>	
The report summarises recent changes in legislation and regulations that impact on scheme benefits, dealing with surpluses and deficits on cessation and the governance of climate related risks.	

## Officers Recommendations

1. That the Local Pension Board note the update and actions being taken

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 Compliance with legislation and regulation requires that changes therein are monitored and appropriate actions taken to implement.
- 1.2 The attached note (appendix 1) was circulated to Local Pension Board members on 30 October 2020. The legislative and regulatory developments discussed therein are summarised below.

### Limits on Redundancy Entitlements

- 1.3 The Government has enacted a limit of £95,000 on the value of exit payments, including strain costs, from public sector employers. Consultation on changes to LGPS Regulations both to implement this limit and to require staff being made redundant who are eligible for an immediate unreduced pension to choose between that and employer's redundancy payments is currently being consulted upon.
- 1.4 At the present time the status of the LGPS Regulations are unclear with Government writing to Council's to state that the exit legislation takes pertinence over the LGPS Regulations. Due to the confusion employers have been asked to discuss any redundancy offers in advance with both HR and the Pension Fund and consider taking legal advice on the redundancy terms. The pension fund may look to collect strain costs before awarding an immediate unreduced pension.

### Age and Gender Discrimination

- 1.5 Two recent court cases (McCloud and Goodwin) that ruled against the Government will mean that some members benefits will require to be enhanced. Officers will be working with the new administrator to agree a project plan to identify the affected members, collect any required information and make appropriate adjustments to benefits in payment and other entitlement. This exercise is expected to take around two years to complete. The Actuary has estimated that the impact is around 1-2% of additional liabilities across all employers.

### Cessation Surpluses and Deficits

- 1.6 Until recently, when employers left the fund any surplus was retained and any deficit was payable immediately by the employer. Changes to regulations provide guidance as to circumstances to be considered in deciding whether to pay surplus to an exiting employer, allow deficits to be paid in instalments, employers to remain 'active' even when no contributing staff and contribution rates to be reviewed between actuarial valuations. The expected outcome is that employers will seek to engage when they see

opportunities to benefit from these flexibilities. Officers mindful of the need to protect all employers will inevitably seek greater Legal support when dealing with employer requests.

### Governance and Reporting of Climate Risks

- 1.7 Government is consulting on the introduction of mandatory reporting and governance of climate risks for larger (over £1 billion) UK occupational pension schemes. Whilst LGPS funds are not in scope of the current consultation there is reference to MHCLG following a similar approach for LGPS. The note sets out the proposed requirements with first compliance reports being issued by Q4, 2023. Priority at the moment is reviewing the extent to which ESG issues should influence the selection of our investments. At the same time we will be working with our advisors, fund managers and the London CIV to understand the new requirements and develop a response, which hopefully will be consistent across London schemes.
- 1.8 Further updates will be given as current Government proposals become law.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 No action is required as a consequence of the update.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 None at the present time although as we develop implementation proposals options will be highlighted.

## **4. POST DECISION IMPLEMENTATION**

- 4.1 The Board will be kept informed of actions taken to implement changes in regulations and legislation.

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 Monitoring changes in legislation and regulations plays an essential and key role in providing assurance that the Pension Fund's risks are managed in an environment of sound stewardship and control. This is in line with the aims set out in the Council's Corporate Plan, to ensure that services are delivered efficiently to obtain value for money for the taxpayer.

### **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

- 5.2.1 There are no immediate financial implications from the report. However, most of the proposals are likely to entail greater expenditure (benefits, surplus return or administrative cost) which will ultimately increase employers contributions.

### **5.3 Social Value**

5.3.1 Contributing to the Pension Fund ensures that contributing members have a secured income on retirement.

### **5.4 Legal and Constitutional References**

5.4.1 The Board's Terms of Reference include "ensuring the effective and efficient governance and administration of the LGPS for the LBB Pension Fund". The actuarial process is central to ensuring that the pension fund has sufficient assets to pay pensioners.

5.4.2 The paper concerns compliance with LGPS Regulations as they are amended.

### **5.5 Risk Management**

5.5.1 Failure to comply with changes in legislation and regulations will entail future complexities.

### **5.6 Equalities and Diversity**

5.6.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to 1) eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; 2) advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and 3) fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to parts 2) and 3) (above) of the public-sector equality duty.

### **5.7 Corporate Parenting**

5.7.1 Not applicable in the context of this report.

### **5.8 Consultation and Engagement**

5.8.1 Not required.

### **5.8 Insight**

5.8.1 The report provides insight into the future direction of employers' contribution rates.

## **6. BACKGROUND PAPERS**

6.1 None

## **London Borough of Barnet Pension Scheme**

### **Note on Recent Legislative and Regulatory Changes impacting on Pensions**

The Government has been busy consulting on changes to LGPS regulations and a summary of the proposals recently announced plus the action being taken on each is given below. This note is solely for information. An update on actions taken will be included within the administration report to both the Pension Fund Committee & Local pension Board.

Issues Covered are:

Limits on redundancy payments to staff.

Extending final salary to CARE benefit protections to eliminate age discrimination.

Addressing gender discrimination for spouses pensions.

Clarifications on when a surplus should be returned to employers on cessation.

Increased flexibility to review employer contribution rates and recover deficits on cessation.

Reporting and Governance of Climate Risks.

### **Limits on Early Leavers Benefits (Exit Payments)**

Currently, scheme members made redundant aged over 55 are entitled to statutory redundancy together with any enhanced redundancy offered by the employer and an immediate unreduced pension. Recently enacted changes in regulations will severely limit enhanced pension & redundancy rights for all staff.

The Government first announced in 2015 its proposals to prohibit six-figure exit packages from the public sector, by imposing a £95k cap on such packages. Legislations implementing the cap come into force from 4 November 2020 but to be fully effective require that the LGPS Regulations are also amended. In September, the Government commenced consultation on changes to LGPS Regulations that will affect local government employers (mainly, but not exclusively, councils and academy trusts).

The current LGPS Consultation proposals confirm the £95k cost cap, and how this will work in practice. To summarise:

- The amount of strain cost payable by the employer to the pension fund will be determined using standardised actuarial factors, rather than fund-specific factors already in place;

- If the overall exit package (strain costs plus redundancy payments) is below £95k then benefits can, as now, be paid in full, but only if the member chooses in effect to give up their redundancy pay;
- If the overall package exceeds £95k then the strain cost needs to be addressed, with the member having various options, including:
  - (a) LGPS benefits still being paid immediately but on a reduced basis, with no additional compensation;
  - (b) LGPS benefits being paid in full, with the member choosing to take less lump sum compensation and potentially paying the excess strain cost;
  - (c) LGPS benefits being deferred until normal pension age, where they would be paid unreduced and the individual instead receiving lump sum compensation within the cap limits.
- Regardless of whether the exit cap applies or not, the member is in effect forced to choose which of the following they wish to give up (they cannot have all three as they do now):
  - Statutory Redundancy Pay
  - Full pension – in which case members must give up their statutory redundancy pay
  - Immediate payment - if members take their statutory redundancy pay, they must either have a reduced pension or defer pension until normal pension age.

These changes are much more widespread than was originally expected to limit large value exit packages and will limit redundancy payments to all Council staff regardless of salary.

The draft LGPS regulations implementing the restrictions have a proposed December implementation date. From 4 November 2020 up to the enactment of the change in LGPS Regulations there will be a short period with conflict between the obligations on scheme employers under the Cap Regulations to limit strain cost payments, and the requirement for administering authorities to pay unreduced pensions to qualifying scheme members under existing LGPS regulations. Government has this week written to Council's stating that they expect Council's to apply the LGPS Regulations in accordance with the cap.

The Scheme Advisory Board is seeking a legal opinion on application of the cap pending the revised LGPS Regulations. Theoretically, there could be a situation prior to the new regulations being enacted in which the scheme is required to pay an unreduced pension, but the employer is prevented from paying the full strain cost. The scheme would be required to recover the shortfall in other ways e.g. revised contribution rates.

#### Implications for LB Barnet and Barnet Pension Fund

The Council and other employers will need to ensure that any member being offered redundancy after 4 November is aware of the new terms. The Pension Fund and employers will have to communicate to ensure that the choices made by the employee are in line with the cap regulations and that when a member elects to pay for an enhanced pension that the payment is received. Should any redundancy be offered between 4 November and when the LGPS regulations are enacted, the Pension Fund may require legal advice as to whether an unreduced pension is payable.

The Pension Fund administrators, WYPF, have been asked to notify the Council of any leaver quotation requests or notifications that have the potential for a strain cost so that appropriate liaison can be undertaken with employers and potentially Legal.

### **Age Discrimination (McCloud)**

The Local Government Pension Scheme (LGPS) is going to change for some members as a result of The Court of Appeal ruling known as the “McCloud judgement”. The ruling, made on 20 December 2018, found that when public service pension schemes changed in 2014 and 2015, they had discriminated on the grounds of age, by only providing protection for older members.

In the LGPS, these protections were applied in 2014 when the scheme changed from a final salary scheme to a CARE scheme. All members were automatically moved across to the new scheme, but older members, closer to retirement, were given additional protections, called the “Underpin”. These protections were set up to ensure members do not receive less pension in the new scheme, than they would have in the old scheme. As the protections were only applied to members of a certain age, the court has decided that it was ‘unlawful on the grounds of age discrimination’.

The government made a statement in July 2019, announcing that, as a result of the McCloud judgment, it would ‘take steps to remove the discrimination.’ Although the original ruling only directly involved two schemes, the government has confirmed it will be applied to all public service pension schemes. These protections in the LGPS will need to be revised. As a result, if members are affected by the changes, how much pension they get may change.

A government consultation proposes that the revised underpin will apply to all members who meet the criteria for protection regardless of their age who were active members on 31 March 2012 and have acquired post 2014 CARE benefits. The revised underpin will also apply to early leavers and will extend to qualifying members who have left the scheme since April 2014 as well as active members. It will also apply on death in service and survivor benefits.

### **Implications for LB Barnet Pension Fund**

The implications for pension schemes is that the records of all members active on 31 March 2012 will require review, potentially additional data will need collection and

any calculations made in respect of affected members will need correction. Previous benefits and transfers may have to be enhanced. This is going to be a long and time-consuming project and we will be discussing a project plan with WYPF. The Actuary made allowance for McCloud at the last triennial valuation, which was part of the reason for the increase in the fund as a whole primary contribution rate.

### **Gender Discrimination (Goodwin Case)**

In a recent employment tribunal case (Mrs Goodwin v Department for Education) it was concluded that a female member in an opposite sex marriage is treated less favourably than a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation.

Where schemes contain provisions deemed discriminatory, those provisions must be dis-applied as being contrary to the non-discrimination rule set out in section 61 of the Equality Act 2010.

Same-sex survivors were originally entitled to survivor benefits taking into account the member's service from April 1988, however retrospective amendments remain to be made with effect from 5 December 2005 (the date when civil partnerships became possible), such that those survivor benefits now take into account the member's service from 6 April 1978.

Following the Goodwin Tribunal, regulatory amendments will now need to be made with effect from the same date to extend that entitlement to male survivors of female members.

Where a male spouse survivor of a female scheme member, whose entitlement to the survivor pension arose on or after 5 December 2005, is in receipt of a survivor pension, that pension will be increased in line with above changes.

### **Implications for LB Barnet Pension Fund**

We currently await draft LGPS regulations to be determine the actions proposed by Government. However, any requirement to review members service between 1978 and 1988 is going to be complicated and time consuming.

### **Cessation Surpluses (Exit Credits)**

Historically, when an employer left the LGPS they were billed for any actuarial deficit at the date of departure but any surplus of assets on exit was retained in the Fund and reallocated, usually to an entity from whom the exiting employer had taken on a contract as the reason for its entry to the LGPS. Regulations were changed in May 2018 to permit the payment of surplus (Exit Credit) to the employer at the date of cessation, although the relevant circumstances and factors to be considered were vague.

The Local Government Pension Scheme (Amendment) Regulations 2020 which came into force on 20 March 2020 list the factors to be considered in determining the extent to which a surplus is paid. These include the amount of contributions paid in relation to the surplus and also representations from the employer and any party who

guaranteed their liabilities e.g. the Council. The new regulations include confirmation that the exit credit amount may be zero.

### Implications for LB Barnet Pension Fund

The Barnet Funding Strategy Statement has been amended to confirm that consideration will be given to paying all or part of the cessation surplus. In practice this would involve consideration of the factors giving rise to the surplus and whether any other party carried the deficit risk. Factors to consider include:

- Extent to which the surplus is due to contributions exceeding benefit accrued
- Favourable entry or exit point
- Risk sharing agreements in place

It is expected that ceasing employers will actively engage in the determination of surplus allocations. The Pension Fund Committee will be informed prior to the payment of any significant cessation surplus to any employer.

### **Management of Employer Risk Regulations**

New regulations enacted from September 2020 cover the following areas:

- 1 Review of employer contributions
- 2 Spreading exit payments
- 3 Deferred Debt Agreements

#### Review Employers Contributions

Currently contribution rates can only be changed at the triennial valuation and when an employer is likely to leave the scheme. The new regulations allow contributions to be changed when there has been a significant change in the liabilities or covenant of the employer. Employers can ask for a review, if they are willing to pay.

The practicalities of reviewing an employer's contributions will require the administering authority to:

- consult with the impacted employer,
- state its policy on the review of employer contributions in its Funding Strategy Statement and obtain advice from its actuary, and
- consider the impact on other employers in the fund.

Given the current environment, administering authorities could potentially expect a deluge of employer requests (particularly where employers have their own actuarial/legal advisers). Therefore, quickly establishing an employer contribution review policy and process will be key. Where we become aware of a significant change in employer circumstances, we will discuss with the actuary whether a

change in contribution rate is required. While this is most likely to be changes to deficit contributions it could also entail primary contributions.

### Spreading Exit Payments

Current regulations infer that cessation deficits are payable in full as soon as calculated. The new regulations allow the administering authority to agree to spread these over a period which it “considers reasonable”. The scheme is required to:

- set out within its FSS its policy on spreading exit payments and to obtain advice from its actuary, and
- take account of the interests of all employers and LGPS funds when determining the payment terms.

Expectation are of protracted discussions around the timing of cessation payments.

### Deferred Debt Agreements

This is a variation on spreading exit payments. When an employer no longer has active members in the scheme this triggers a cessation valuation. These new regulations allow the scheme to treat the employer as ongoing and calculate contribution rates (deficit only) at each triennial valuation. A period must be specified before a traditional cessation calculation and events that will terminate the agreement.

The Regulations require:

- a policy statement is required in the FSS after taking actuarial advice,
- consideration of all the evidence available and “use judgement and local knowledge”,
- monitor the agreement carefully (including at valuations) to ensure it is on track to meet its funding target
- put in place recovery plans where shortfalls are identified.

There is also an option for allowing a separate [notional] investment strategy for such employers. Quite how the fund would handle a request for a ‘low volatility’ asset allocation is unclear, especially when employers assets are tracked on a three-yearly basis. This is potentially a catalyst towards employer specific investment strategies which would move the setting of investment strategy from the Pension Fund Committee to individual employers.

### Implications for Barnet Pension Fund

Starting discussions on deferred debts or spreading exit payments are employer initiatives. Where there is a proposed move from immediate to deferred payment of a deficit, the amounts must be meaningful to justify discussion and the primary goal of the pension fund is to maximise deficit recovery and protect other employers.

## Reporting and governance of climate risks

The Government appears set to require pension funds to report against a framework for managing and reporting climate-related risks and opportunities established by the Taskforce for Climate Related Financial Disclosure. The implementation timetable being discussed would require Barnet's first report by 31 October 2023. The framework is summarised in the table below:

TCFD area	Requirements
Governance	<ul style="list-style-type: none"><li>Establish and maintain oversight of climate related risks and opportunities</li><li>Establish and maintain processes that allow the trustees to satisfy themselves that those managing the scheme are assessing and managing climate related risks and opportunities</li></ul>
Strategy	<ul style="list-style-type: none"><li>Identify climate related risks and opportunities that will impact the investment and, for DB schemes, funding strategy of the scheme over different time horizons</li><li>Assess the impact of identified risks and opportunities on the scheme's investment and, for DB schemes, funding strategy</li></ul>
Scenario analysis	<ul style="list-style-type: none"><li>At least annually, assess the resilience of the scheme's assets, liabilities and investment and, for DB schemes, funding strategy to climate related risks in at least two scenarios (including one scenario that reflects an annual temperature rise of 1.5 to 2 degrees).</li></ul>
Risk management	<ul style="list-style-type: none"><li>Adopt and maintain processes for identifying, assessing and managing climate-related risks</li><li>Ensure the integration of climate-related risks into overall risk management</li></ul>
Metrics	<ul style="list-style-type: none"><li>Select at least one GHG emissions and one non-emissions metrics against which to assess scheme assets against climate related risks and opportunities</li><li>At least quarterly, obtain the Scope 1/2/3 emissions of the portfolio and calculate the selected emissions metric</li><li>At least quarterly, obtain the necessary data and calculate the non-emissions metrics</li></ul>
Targets	<ul style="list-style-type: none"><li>At least annually, set one target to manage climate relate risk with respect to the chosen metrics and measure performance against this target at least quarterly.</li></ul>

[Extracted from Hymans Robertson Briefing Note]

Key takeaways are:

- Scenario analysis will require impacts of temperature changes on asset classes / holdings to be assessed.
- Quarterly reporting against two climate related metrics, one of which is likely to be Weighted average carbon intensity.
- A requirement to set one target to manage climate related risk and measure against this annually.

### Impact for Barnet Pension Fund

Although it is early days and we await firm Government proposals, it does appear that the Pension Fund will have to demonstrate increased attention to climate change. There will be choices to be made in terms of targets and metrics and a

degree of standardisation across LGPS will emerge. While Much of the onus on generating numbers will be on fund managers; enabling fund level reporting will require standardised reporting by managers. It is likely that reporting of pooled assets will be less demanding than non-pooled assets in that we can expect the London CIV to ensure all their managers work to common reporting standards. Further updates will be provided when the draft regulations are published.

## **Conclusions & Action**

In the short-term McCloud and Godwin are going to create additional work for pension administrators and the inhouse team will need to agree with the administrator which records will require amending, how missing information is collected and whether de-minimis limits can be applied. We can expect members to start asking questions and potential unrealistic expectation as to how long this will take to resolve.

Limitations on redundancy payments will anger members although employers will initially take the flack. Scheme' employers have been made aware of the new limits, but we can expect some to ignore these and messy situations where staff have been promised more than they are now entitled.

Rules on surplus sharing, deficit spreading and recalculating contribution rates will generate additional employer conversations and possibly disputes as to how the new options are exercised.

For the moment action relating to climate risk regulations are limited to being aware of developments and discussing fund manager plans to support our reporting.

**END**



## Local Pension Board AGENDA ITEM 12

17 November 2020

<b>Title</b>	<b>External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2019/20</b>
<b>Report of</b>	Director of Finance
<b>Wards</b>	All
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	Appendix A – External Auditor's ISA 260 report
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### Summary

The external auditors report (ISA260) on the pension fund accounts for the year to 31 March 2020 is attached. The Auditor will be attending the meeting to discuss their findings.

### Officers Recommendations

That the Local Pension Board:

1. note the matters raised by the external auditor (Appendix A) in respect of the audit of the 2019/2020 Accounts and Annual Report; and
2. consider whether there are any matters arising from the Auditor's Report on which they require additional information or action.

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 Under Section 151 of the Local Government Act 1972 - "...every local authority shall make arrangements for the proper administration of their financial affairs...". Additionally, in accordance with International Standard on Auditing (ISA) 260, the external auditor is required to issue detailed reports on matters arising from the audit of the council's accounts and pension fund accounts. There are also specific legal requirements in relation to the accounts and the annual report as set out in section 5.4 below.
- 1.2 The external auditor will be attending the meeting to discuss their report (appendix A). At the time of writing, the audit is substantially complete and the Auditor expects to issue an unqualified opinion on the accounts. Key pages from the report are:

Page 4 – overview  
Page 5 – materiality  
Page 9- Audit risk overview  
Page 24 – Audit differences  
Pages 26-28 – deficiencies and recommendations.

- 1.3 There are six recommendations in the report, all of which are accepted. Three are pensions related (completeness of contributions, bank reconciliations & membership data) and three are carried over from the main Council audit and relate to systems access. Responses to the three pension related recommendations are:

### Contributions Receivable

Agreed. New procedures were implemented from January 2020 under which the administrator checked that appropriate employer rates were being paid, reviewed significant movements in contributions paid month to month and provided a comprehensive report on contributions received, missing, late or with unexplained differences to the Council. From November 2020, the collection and monitoring of contributions will be the undertaken directly by the Council's Pension's team. The new administrator has notified employers of the required format of monthly contribution returns that the Council will use to ensure that monthly contributions are complete and accurate.

### Bank Reconciliations

Agreed. In future records will be retained to demonstrate that all bank accounts have been reconciled monthly. The ledger balance concerned with this recommendation although classified as a bank account was in fact a payments suspense account. It was both misclassified and had not been adequately monitored.

### Membership Data

It is acknowledged that problems remain with data quality, in particular delays in recording changes in member status including leavers. Insufficient communication between administrator and employers / payroll providers has allowed a backlog of

unprocessed movement and other issues with members records to develop. Part of the rational for changing administrator is that employers' will be required in future to provide member level contribution reporting each month that will capture change in status. Reviews are currently underway of previous employers annual returns to identify discrepancies with membership records and collect missing information.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 It is appropriate for the Board to review the audit findings and management's planned actions.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 Not applicable in the context of this report.

## **4. POST DECISION IMPLEMENTATION**

- 4.1 None.

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 A positive external audit opinion on the Pension Fund's Annual Report and Accounts plays an essential and key role in providing assurance that the Pension Fund's financial risks are managed in an environment of sound stewardship and control. This is in line with the aims set out in the Council's Corporate Plan, to ensure that services are delivered efficiently to obtain value for money for the taxpayer.

### **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

- 5.2.1 This report sets out the framework for the assessment of the Pension Fund's financial reporting and management as well as value for money.
- 5.2.2 The external audit fees for 2019/20 are £36,190 (£34,478 for 2018/19). At this stage no additional audit fees are anticipated.
- 5.2.3 In accordance with International Standard on Auditing (ISA) 260, the external auditor is required to issue detailed reports on matters arising from the audit of the Council's accounts and Pension Fund accounts.
- 5.2.4 The ISA 260 report must be considered by "those charged with governance" before the external auditor can sign the accounts".
- 5.2.5 The external auditor, BDO was presented with draft financial statements on 31<sup>st</sup> May 2020.

### **5.3 Social Value**

5.3.1 Arrangements for proper administration of financial affairs and contributing to the Pension Fund ensures that contributing members have a secured income on retirement.

#### **5.4 Legal and Constitutional References**

5.4.1 The Accounts and Audit Regulations 2015 require that the authority's accounts for the year 2019/20 are approved by the authority or by a committee and signed by the Chairman of the committee which approved the accounts.

5.4.2 The requirement for an administering authority to prepare a Pension Fund Annual Report is contained in Regulation 57 of the Local Government Pension Scheme Regulations 2013.

5.4.3 The Board's Terms of Reference include "ensuring the effective and efficient governance and administration of the LGPS for the LBB Pension Fund".

#### **5.5 Risk Management**

5.5.1 The external audit ISA 260 report highlights areas of good control and areas of weakness which need to be addressed. Failure to do so carries the risk of adverse financial and/or reputational consequences.

#### **5.6 Equalities and Diversity**

5.6.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation, marriage and civil partnership.

5.6.2 Ensuring the long-term financial health of the Pension Fund will benefit everyone who contributes to it. Access to and participation in the Pension Fund is open to those with and those without protected characteristics, alike, provided that the criteria set out within the relevant Regulations are met

#### **5.7 Corporate Parenting**

5.7.1 Not applicable in the context of this report.

#### **5.8 Consultation and Engagement**

5.8.1 Not required.

#### **5.9 Insight**

5.9.1 Not applicable in the context of this report.

## **6. BACKGROUND PAPERS**

- 6.1 Audit plan presented to the Local Pension Board on 25 June 2020, agenda item 10.

<https://barnet.moderngov.co.uk>

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Report to the Pension Fund Committee

# LONDON BOROUGH OF BARNET PENSION FUND

Audit Progress Report  
Year ended 31 March 2020



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# WELCOME

## Introduction

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We have pleasure in presenting our Audit Progress Report to the Pension Fund Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of the work to date for the year ended 31 March 2020, specific audit findings and areas requiring further discussion and/or the attention of the Pension Fund Committee. At the completion stage of the audit it is essential that we engage with the Pension Fund Committee on the results of our audit of the financial statements comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We will provide an update on outstanding work at the Pension Committee.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

This report contains matters which should properly be considered by the Council as a whole. We expect that the Pension Committee will refer such matters to the Council, together with any recommendations, as it considers appropriate.

We would also like to take this opportunity to thank the management and staff of the Pension Fund for the co-operation and assistance provided during the audit.

Leigh Lloyd-Thomas

5 October 2020



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# OVERVIEW

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This summary provides an overview of the audit matters that we believe are important to the Pension Fund Committee in reviewing the results of the audit of the financial statements of the Pension Fund for the year ended 31 March 2020.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.



### Overview

Our audit work is on going and subject to the successful resolution of outstanding matters, we anticipate issuing our opinion on the financial statements for the year ended 31 March 2020 in line with the agreed timetable.

Outstanding matters are listed on page 36 in the appendices.

There were no significant changes to the planned audit approach and no additional significant audit risks have been identified.

No restrictions were placed on our work.

### Audit report

Subject to the resolution of the outstanding matters we anticipate issuing an unmodified audit opinion on the financial statements.

# THE NUMBERS

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### Final materiality

Final financial statements materiality was determined based on 1% of the value of investment assets.

Specific materiality on the fund account was based on 5% of contributions.

We decreased our materiality from the planning Materiality of £11.4 million to £10.7 million as a result of the decrease in the valuations of investment assets at year end.

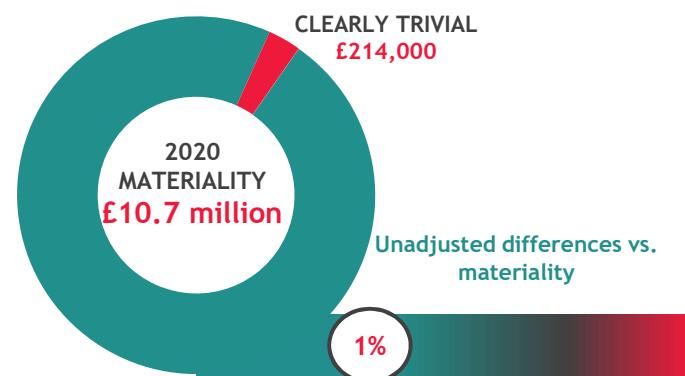
### Audit differences

To date there are two audit differences that require correction that result in an overstatement of expenditure and understatement of net assets by £76,000.

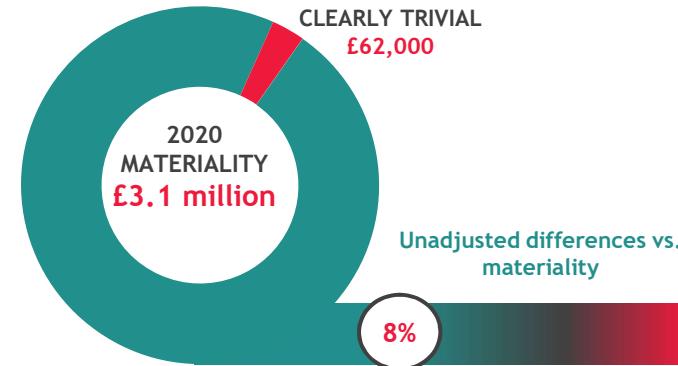
There are 5 audit differences from the prior year that have been corrected in 2019/20. The impact of the roll forward of prior year differences has resulted in net costs reported for 2019/20 being understated by £90,000 and return on assets for 2019/20 being overstated by £230,000.

The impact of the current year and prior year audit differences has resulted in the fund account understating net expenditure by £244,000.

### Financial statements overall materiality



### Fund account materiality



# OTHER MATTERS

## Executive summary

### Financial reporting

- We have not identified any non-compliance with accounting policies or the applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.
- Going concern disclosures are deemed sufficient.
- The Pension Fund Annual Report is consistent with the financial statements and our knowledge acquired in the course of the audit.

### Other matters that require discussion or confirmation

- Confirmation on fraud, contingent liabilities and subsequent events.
- Letter of Representation.

### Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Pension Fund and Corporation in accordance with the Financial Reporting Council's (FRC's) Ethical Standard.



# CORONAVIRUS IMPACT

## The effects on year-end reporting and auditing

The emergence and spread of Coronavirus has had an effect on business and markets around the world. Guidance is now available to assist in identifying the potential corporate reporting and auditing issues and consequences of the virus, and there have been a number of local government specific issues, including relaxations to accounts preparation and audit timetables.

However, given the fast moving and ever changing nature of the situation, aspects of this guidance will change over time. The outbreak is an in-year event and will impact the valuations, estimations and disclosures reflected in the financial statements for periods ending on or after 31 March 2020.

### **Going concern**

In respect of going concern, the Chief Finance Officer is required to consider events that have occurred both before and after the balance sheet date when determining whether there is a material uncertainty over the ability to continue as a going concern. Consequently, forecast financial information and sensitivity analysis (which may require additional and/or different potential variances to be included) will need to factor in the estimated effects of the Coronavirus pandemic.

A common approach that is developing, and which BDO is encouraging, in relation to each set of financial statements that is prepared for audit is:

- The assessment of going concern the Chief Finance Officer is required to undertake needs to explicitly consider the impact of Coronavirus to accommodate the uncertainty prevailing and must cover the period of at least 12 months from the date of signing the financial statements. The assessment may not be limited to this period if there are foreseen events or conditions beyond this period which may influence the economic decisions of users.
- The assessment needs to consider the entity's resilience through three lenses - operational capability (closed locations, reduced workforce through illness, breakdown in supply chain), demand for services (effect on income and expenditure) and structural finance (liquidity and access to committed facilities).

- If the Chief Finance Officer consider that there are material uncertainties, this will need to be referenced in the relevant disclosure and will result in a material uncertainty reference in the audit report (albeit the audit opinion is not qualified).
- The going concern disclosures in the basis of preparation note in the financial statements will also need to be enhanced.

Within local government, the Government's commitment to ensure that local authorities are adequately compensated for additional expenditure incurred or income lost directly as a result of the Coronavirus pandemic, removes some of the uncertainty faced by public sector entities. However, the assessment of going concern, and associated disclosures in the financial statements, are still expected to fully consider and record the impact of Coronavirus.

The auditor's review of Chief Finance Officer's assessments must be greater than normal, will require more evidence, and will continue to be performed through to the point of signing the audit report.

### **Valuations of financial and non-financial assets and liabilities**

Data used in valuations of financial and non-financial assets and liabilities should be based on forecasts, projections and assumptions that were reasonable and supportable at the balance sheet date. For 31 March 2020 year ends, given that the significant development and spread of Coronavirus occurred within the financial year and that the World Health Organisation announced a global health emergency on 31 January 2020, the estimated impact of the Coronavirus pandemic will need to be factored into this data.

### **Pension Fund Annual Report**

Pension Funds will need to monitor developments and ensure that they are providing up-to-date and meaningful disclosures when preparing their Annual Reports.

# CORONAVIRUS IMPACT

## The effects on year-end reporting and auditing

### Other guidance

The National Audit Office (NAO) has published a Guide for audit committees on financial reporting and management during the Coronavirus pandemic. This guide aims to help Audit Committee members support and challenge the organisations they work with in the following areas: annual reports, financial reporting, control environment and regularity of expenditure.

The NAO has set out some questions to help audit committee members understand and challenge activities. Each section can be used on its own, although the NAO would recommend that audit committee members consider the whole guide, as the questions in other sections may be interrelated.

The guide may also be used as organisations and audit committees consider reporting in the 2020/21 period when more specific and detailed reporting on the outbreak will be required.

The guide is available through the following link:

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>

### Implications for auditors

As part of our on-going risk assessment procedures, we need to think about other specific areas and balances where Coronavirus might cause an issue and if this presents an additional risk:

- Valuation and disclosure of financial assets particularly those investments that are illiquid or not subject to Level 1 observable market prices
- Going concern and/or working capital assessment and disclosure
- Risk disclosures
- Subsequent event disclosures.

The impact of Coronavirus on going concern is a risk focus area for the audit, and in some cases may be a significant risk. As part of our on-going risk assessment procedures, we need to think about other specific areas and balances where Coronavirus might cause an issue and if this presents an additional risk. This includes the specific considerations in relation to the risks of having services in an affected area and supply chain issues in relation to items coming from these locations.

Personnel from audited entities may be unable to carry out their roles on site and/or be available to meet physically with our audit teams. Likewise, our people may be unable to work at audited entity sites or to travel to our offices, thereby potentially affecting the performance, review and supervision of the engagement team, including that of component or other auditors. We need to:

- Consider the impact on the audited entity
- Consider alternative ways of working including the use of our technology tools
- Consider implications for the quality of audit evidence and reporting.

# AUDIT RISKS OVERVIEW

As identified in our Audit Planning Report dated 3 March 2020 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the engagement team.

Audit Risk	Risk Rating	Significant management estimate or judgement	Use of experts required	Error Identified	Significant control findings	Discussion points / Letter of Representation
Management override of controls	Significant	No	No	-	-	Work is still in progress
Pension liability valuation	Significant	Yes	Yes	No	No	No
Valuation of investments (infrastructure & property)	Significant	Yes	No	No	No	No
Valuation of investments (other)	Normal risk	No	No	No	No	No
Pension contributions	Significant	No	No	Yes	Yes	Work is still in progress
Pension benefits payable	Normal risk	No	No	-	-	Work is still in progress
Membership disclosures	Normal risk	No	No	No	No	No
Funding of Barnet and Southgate College deficit	Normal risk	No	No	No	No	No

 Areas requiring your attention

# MANAGEMENT OVERRIDE OF CONTROLS

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**Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls.**

## Risk description

The auditor's responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

## Work performed

We carried out the following planned audit procedures:

- Reviewed and verified journal entries made in the year, agreeing the journals to supporting documentation. We determined key risk characteristics to filter the population of journals. We used our IT team to assist with the journal extraction;
- Reviewed estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias; and
- Reviewed unadjusted audit differences for indications of bias or deliberate misstatement.

Significant risk

Normal risk

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant control findings to be reported

Letter of representation point

## Results

Our review of management estimates has not identified the existence of any systemic bias.

To date we have not identified any audit differences.

## Work outstanding

Our audit of journals is in progress. Work completed to date has not identified any issues.

## Conclusion

Work outstanding to be completed before we are able to conclude on management override.

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**There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.**

## Risk description

An actuarial estimate of the liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. This year the membership data provided will be obtained in full as part of the 2019 triennial valuation. The estimate also considers all local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.

There is a risk the valuation is not based on appropriate membership data where there are significant changes since the 2019 triennial data extraction through to 31 March 2020, or uses inappropriate assumptions to value the liability.

## Work performed

We carried out the following planned audit procedures:

- Reviewed the competence of the management expert (actuary);
- Reviewed the controls in place for providing accurate membership data to the actuary and testing the data provided at the triennial valuation;
- Checked that any significant changes in membership data since the triennial submission have been communicated to the actuary;
- Assessed how the actuary has addressed recent discrimination cases in the liability calculation; and
- Reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data.

## Results

Our review of the competence of the actuary did not identify any issues.

The pension scheme undertook a Common Data cleanse with the actuary to ensure the existence, completeness and accuracy membership data prior to the 2019 triennial valuation. The final report from the actuary indicated that after the data validation stage, the membership data submitted by the Fund for the 2019 valuation was suitable for the purpose of a funding valuation. This membership data is rolled forward for use in the 31 March 2020 accounting valuation.

We have tested a sample of data provided to the actuary and used in the roll forward valuation at 31 March 2019 to ensure data provided is accurate and complete. There are 3 samples still to complete but we have not identified any issues to date.

Management confirmed there has been no significant changes in the membership of the fund in the year.

The following discrimination cases covering GMP gender equality, McCloud age discrimination and Goodwin spousal pensions are currently subject to remedy action that is likely to impact on liability to pay future pensions.

The actuary has applied full GMP indexation for members at state pension age this year. This is consistent with all other local government actuaries. We understand that in the previous year, indexation only for the 2016 to 2018 interim solution period was included in the liability and we previously reported an estimated audit difference of £6.1 million in 2018/19. We have sought confirmation from the actuary of the amount included in the liability for GMP indexation covering the 2016-2018, 2018-2021 and post 2021 periods.

# PENSION LIABILITY VALUATION

**There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.**

The actuary has calculated the impact of McCloud at £5.68 million. However, it is not clear from the actuary report what year a member needed to be a scheme member to benefit from the final salary underpin. Will have sought confirmation of the assumptions used by the actuary in calculating this additional liability. The Government has recently issued a consultation document that suggests that members in the scheme at 2012 will qualify for the scheme amendments. No liability was included in the previous year and we previously reported an audit difference of £3.5 million based on information provided by the actuary last year.

In July, HM Treasury announced that it would be amending the Teachers Pension scheme to remove the differential in survivor pensions for same sex marriage or civil partnerships following the Goodwin case, and that this will also apply to other public sector pension schemes. This is expected to result in lower survivor pensions although the actuary has not yet assessed the impact on the pension liability. Initial discussions with actuaries suggests that the impact will not be material.

The results of our review of the reasonableness of the assumptions used in the calculation against other local government actuaries and observable data is reported on the following page.

## Work outstanding

There are 3 samples still to complete for the testing of data provided to the actuary for the 2019 triennial data.

## Conclusion

The defined benefit obligation has been appropriately calculated and the assumptions used are reasonable.

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# PENSION LIABILITY VALUATION

## Significant estimate - LGPS pension liabilities

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### Scheme pension liabilities £1,843 million

< lower

### Impact of assumptions on the estimate

higher >

The pension liability has decreased by £203 million, from £2,046 million to £1,843 million. The reduction in liability includes £158 million for changes to financial assumptions such as reduced annual salary increases above CPI at 2.6% (previously 2.8%), reduced annual pension increases at 1.9% (previously 2.5%) offset by a fall in the rate of discounting scheme liabilities to 2.3% (previously 2.4%). It also include £51 million savings from demographic assumptions and reduced longevity of members.

We have compared the key financial and demographic assumptions used to an acceptable range provided by our a consulting actuary.

	Actual used	Acceptable range	Comments
<b>Financials:</b>			
- RPI increase	2.90%	2.7 - 2.90%	Reasonable
- CPI / pensions	1.90%	1.8 - 2.00%	Reasonable
- Salary increase	2.60%	1.8 - 2.90%	Reasonable - short term assumption of lower rate and increasing long term assumption
- Discount rate	2.30%	2.30%	Reasonable
<b>Commutation:</b>			
	50%	50%	Reasonable
<b>Mortality:</b>			
- Male current	22.9 years	21.6 - 23.3	Reasonable
- Female current	25.7 years	24.6 - 26.3	Reasonable
- Male retired	21.7 years	20.5 - 22.2	Reasonable
- Female retired	24.0 years	22.9 - 24.3	Reasonable
Mortality gains	CMI 2018 (+1.25% improvement rate) with Club Vita local adjustments		Reasonable

We consider that the assumptions and methodology used by the actuary are appropriate, and will result in an estimate of the pension liability which falls within a reasonable range. Our actuary has provided an estimate of the overall strength of assumptions and this indicates that the estimate has tended towards a slightly prudent (higher) liability mainly due to using the CMI 2018 mortality gains rather than the latest available CMI 2019 tables.

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## There is a risk that infrastructure and property fund investment valuations may not take into account the impact of Covid-19 at 31 March 2020.

### Risk description

The investment portfolio includes infrastructure (£68 million) and property funds (£54 million) in pooled investments valued by the fund manager. The valuation of these funds and underlying assets may be subject to a significant level of assumptions or estimation and valuations may not be based on observable market data. The impact of Covid-19 may also impact on the valuation of the property held in the funds or the cash flows and discount rates applied to the valuation of the infrastructure projects.

As a result, we consider there to be a significant risk that investments may not appropriately valued in the financial statements.

### Work performed

We carried out the following planned audit procedures:

- Obtained direct confirmation of investment valuations from the fund managers;
- Assessed whether the impact of Covid-19 had been taken into account by the fund managers at 31 March 2020 and if there is material uncertainty over the valuation of the underlying assets or infrastructure projects;
- Checked that investments have been correctly valued in accordance with the relevant accounting policies.

### Results

The property funds are managed by CBRE (£25 million) and Aberdeen Standard Life (£29 million). The valuations were agree to the fund manager reports at 31 March 2020.

CBRE global fund invests in offices, retail, residential, industrial and other property types. We obtained the audited financial statements of the fund for December and performance report for Q1 2020. Net asset value per unit increased from \$183.834 to \$189.909 from December to March 2020. CBRE reported that residential, office, and industrial rent collection was close to normal levels but due to Covid-19 less than a third of retail rents were collected on the Quarter day. Retail space accounts for 14.1% of the funds portfolio. The fund manager confirmed that investors could continue redeem units at 31 March and there was no material uncertainty over the net asset value and pricing of the fund.

We reviewed published reports for Aberdeen Standard Life Long Lease Property fund and noted that Premier Inn (second largest tenant in the fund representing 5.9% of total income) took the decision to close the majority of its hotels in response to Covid-19. While Premier Inn paid the March rent in full, hotel occupancy rates dropped significantly in late March. We noted that one hotel tenant had asked for a rent deferment and others have asked for support in the form of monthly rent payments going forward. Following advice from the property valuer (based on RICS guidance) that there was material uncertainty over the valuation of UK property, the fund manager suspended redemptions on 18 March.

# INFRASTRUCTURE AND PROPERTY FUNDS

## There is a risk that infrastructure and property fund investment valuations may not take into account the impact of Covid-19 at 31 March 2020.

### Results

This also results in the material uncertainty over the pricing of the units in the fund based on the underlying values of the net asset value.

We suggest that this uncertainty should be disclosed in the valuation disclosures in the financial statements.

However, we do not propose reporting an emphasis of matter in the audit report as we consider that the uncertainty on the £29 million share of the fund held by the pension fund does not present a material uncertainty to the overall fund asset values.

The IFM infrastructure fund (£68 million) reported a fall in value of 8.15% in USD term on a gross basis due to Covid-19. Independent valuers of the fund applied an increase to the asset specific risk premium component of asset discounts rates to account for reductions in revenue and continuing uncertainty on the likely impacts of the pandemic.

### Conclusion

Property and infrastructure funds have taken into account the impact on Covid-19 on valuations.

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# OTHER INVESTMENT ASSETS

## Pooled investment vehicles and other investments

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### There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.

#### Risk description

The fair value of other funds (principally unit trusts and pooled investments held through unitised insurance policies) is provided by individual fund managers. The investment consultant undertakes reviews of the performance of each fund manager and indirectly reviews valuations by investigating performance that is inconsistent with the benchmark.

There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.

#### Work performed

We carried out the following planned audit procedures:

- Obtained direct confirmation of investment valuations from the fund managers;
- Checked that investments have been correctly valued in accordance with the relevant accounting policies; and
- Obtained independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds.

#### Significant risk

#### Normal risk

#### Significant management estimate or judgement

#### Use of experts

#### Unadjusted error

#### Adjusted error

#### Additional disclosure required

#### Significant control findings to be reported

#### Letter of representation point

#### Results

We obtained and agreed valuations to direct confirmation of investment valuations from the fund managers.

We reviewed the independent assurance reports over controls at fund managers for valuations and no exceptions were noted.

Valuations of investments are based on generally accepted basis.

#### Conclusion

Our audit work on pooled investment vehicles and other investments did not identify any issues.

# PENSION CONTRIBUTIONS

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## There is a risk that employers may not be calculating contributions correctly or the pension fund does correctly charge costs arising on pension strain for early retirements and augmented pensions.

Significant risk
Normal risk
Significant management estimate or judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant control findings to be reported
Letter of representation point

### Risk description

Employers are required to deduct amounts from pensionable pay based on tiered pay rates and to make normal and deficit contributions in accordance with rates agreed with the actuary. Additional contributions are required against pension strain for unreduced pensions for early retirements.

In previous years the pension fund has found it difficult to allocate contributions received between normal and deficit contributions, whether paid through an increase in the employer's contribution rate or through lump sum payments. We also reported concerns in previous years over completeness and timeliness of raising supplementary invoices to employers for pension strain costs.

### Work performed

We carried out the following planned audit procedures:

- Tested a sample of normal contributions due, additional deficit contributions where included in a higher employer rate and employer deficit lump sum payments for active members including checking to employer payroll records;
- Reviewed contributions receivable and ensure that income is recognised in the correct accounting period;
- Performed tests over capital cost income for pension strain due to early retirement; and
- Carried out audit procedures to review contributions income in accordance with the Actuary's Rates and Adjustments Certificate, including specified increased rates to cover the minimum contributions to be paid.

### Results

Our contribution testing is in progress due to delays in obtaining evidence to recalculate pension contributions.

We identified that the fund has not billed employers for the strain cost for nine members who retired before their pension age with unreduced benefits, resulting in an understatement of contributions due of £292,000.

Our review of contributions income, including specified increased rate to cover minimum contribution to be paid as set out in Certificate did not identify any issues.

We have agreed the total contributions payable by the Council and other scheduled bodies to the amounts received in the pension fund.

We also noted that the payroll system for 120 employees had deducted contributions for recruitment and retention supplement pay and this has been paid to the pension fund. However, no benefits have been accrued on these contributions as it is not clear whether this pay is pensionable. This suggests that either the contributions have been deducted inappropriately and need to be refunded, or the accrued benefits need to be included in the pension liability of the fund and the Council. Management is currently seeking a legal opinion on this issue. This may result in an audit difference in the financial statements.

We continue to note that the pension administrator does not always perform checks over the completeness and accuracy of contributions received. Contributions returns are captured onto a contributions schedule without any checks to ensure the accuracy and completeness of contributions. Some returns received from employers are not supported by a payroll report confirming contributions due and some returns do not separately allocate the employer and employees contributions.

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**There is a risk that employers may not be calculating contributions correctly or the pension fund does correctly charge costs arising on pension strain for early retirements and augmented pensions.**

- Significant risk
- Normal risk
- Significant management estimate or judgement
- Use of experts
- Unadjusted error
- Adjusted error
- Additional disclosure required
- Significant control findings to be reported
- Letter of representation point

## Work outstanding

Remaining samples for contributions due testing.

Legal opinion on whether recruitment and retention supplement pay is pensionable. The increase in pension liability if pensionable and if not pensionable the refund due to members is yet to be determined.

## Conclusion

Sample testing to be completed before we are able to conclude on contribution income.

There remains a significant deficiency in control over identifying and charging employers for pension strain costs and also over checking accuracy and completeness of income.

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**There is a risk that benefits payable may not be correct based on accrued benefits of members or may not be calculated in accordance with the scheme regulations.**

## Risk description

Benefits payable may not be correct based on accrued benefits of members or may not be in calculated in accordance with the scheme regulations. Payment to wrong or non-existent members will result in loss of assets and risk of reputational damage.

## Work performed

We carried out the following planned audit procedures:

- For members leaving the scheme and deferring their pension and members becoming entitled to receive pension during the year, we checked a sample of calculations of pension entitlement;
- Checked the correct application of annual pension uplift for members in receipt of benefits;
- Checked a sample of pensioners in receipt of pensions to underlying records to confirm the existence of the member and also review the results of the 'Tell Us Once' notification from HMRC to ensure future payments have been suspended for any bereavements identified;;
- Reviewed any life certification exercises undertaken for members that are excluded from the National Fraud Initiative; and,
- Agreed amounts recorded in the ledger for benefits paid to the pensioner payroll reports.

## Results

Annual pension uplifts have been correctly applied at 3% and we did not identify any issues regarding the existence of pensioners.

We confirmed that the scheme subscribes to the HMRC notification of death which is matched to membership database and matched accounts are suspended. Our testing did not identify any payment to deceased member.

## Work outstanding

Our work on the calculations of benefit entitlement is still ongoing due to issues accessing hard copy files as a result of Covid-19 and the move to remote working.

## Conclusion

Work outstanding to be completed before we are able to conclude the benefits paid are correct.

# MEMBERSHIP DISCLOSURE

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**There is a risk that the membership database may not be accurate and up to date to support the disclosure in the accounts.**

## Risk description

Membership information including the number of current contributors, deferred beneficiaries and pensioners by employer is required to be disclosed in the financial statements.

We previously reported concerns regarding the accuracy of this disclosure. The 2019 triennial data cleansing should improve the accuracy of the data although delays in updating the membership data for change of status for members at year end may require manual amendments to the data.

## Work performed

We carried out the following planned audit procedures:

- Obtained membership records and review the controls over the maintenance of these records; and
- Tested a sample of movements of members to transactions recorded in the fund account and other underlying supporting documentation.

Significant risk

Normal risk

Significant management estimate or judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant control findings to be reported

Letter of representation point

## Results

We have agreed membership numbers disclosure to the membership system.

However, we identified that two members on the pension system reported as active were not on the employer payroll records and therefore contributions were not being received to support benefits being accrued.

Management is investigating whether these members have left the scheme or if contributions are due. Our extended sample did not identify any additional errors.

The impact of unrecorded contributions due (if they are still active members) or overstated pension liability (if not active) is not material.

Last year we reported significant control deficiencies over the accuracy of membership data. Whilst improvements have been made to data accuracy as part of the 2019 triennial data cleanse, this suggests that there remains a deficiency in the controls over accuracy of membership data.

## Conclusion

Our audit work on membership disclosures did not identify material differences.

# BARNET AND SOUTHGATE COLLEGE

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**There is a risk that a potential liability may exist arising from the allocation of members in these merged colleges across the LB Enfield and LB Barnet pension fund.**

## Risk description

Barnet College and Southgate College merged in 2011 and active employees of Southgate College transferred to the Barnet pension fund and deferred and pensioner members remained with the Enfield pension fund. The Barnet pension fund assumed responsibility for past service benefits and on-going benefits for transferred employees from the Enfield pension fund. The Enfield pension fund has requested a transfer value buy-out from the Barnet pension fund of £4.2 million to fund the liability shortfall for the deferred and pensioner members based on a cessation funding formula.

LB Barnet pension fund has made an offer to transfer deferred and pensioner members and all assets funding accrued benefits to LB Barnet pension fund. LB Barnet pension fund will then be responsible for any liability shortfall for the deferred and pension members.

There remains a risk that LB Enfield will not accept this proposal and that a potential liability may exist arising from the allocation of members in these merged colleges across the LB Enfield and LB Barnet pension fund.

## Work performed

We carried out the following planned audit procedures:

- Continued to monitor the developments around the proposal made by LB Barnet pension fund;
- Reviewed any advice provided by the actuary and any other legal advice sought by the pension fund to assess the potential liability for the LB Barnet pension fund; and
- Checked that any potential liability has been correctly reflected in the accounts.

## Results

Per discussion with management there has not been any progress on the issue. The verbal offer made by LB Barnet still stands but no response has been received from LB Enfield.

This has been appropriately disclosed as a contingent liability in the financial statements.

## Conclusion

The potential transfer of assets to LB Enfield pension fund has been appropriately disclosed.

# OTHER MATTERS

The following are additional significant and other matters arising during the audit which we want to bring to your attention.

Issue	Comment
Incorrect annual benefits statements	<p>We also noted that management had to reissue 1,600 annual benefits statements as the annual earnings shown on the statements were for thirteen months instead of twelve months thereby overstating the earnings shown on the annual statements.</p> <p>Management has recalled these statements.</p>
Bank reconciliation	<p>We identified an unreconciled amount of £216,000 (prior year £139,000) in the bank balance at year end, where the cash at bank recorded in the ledger is more than the cash held in the bank account. This suggests that cash may be overstated by £216,000.</p> <p>Management believe that the majority of the difference resulted from the payment suspense account being incorrectly posted in the ledger and that £187,000 should have been charged to expenditure. The remaining £29,000 has not yet been resolved.</p> <p>Providing a complete and accurate bank reconciliation is a key management control to identify any irregularities and to confirm that all income and expenditure has been properly accounted for. This remains a significant deficiency in control to be addressed.</p>
Presentation and missing disclosures in the accounts	<p>Our review of the draft accounts identified a number of presentational and other missing disclosures.</p> <p>Management has amended the financial statements for the issues identified.</p>

# MATTERS REQUIRING ADDITIONAL CONSIDERATION

## Fraud

Whilst the Chief Finance Officer and Members have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud

We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Planning Report.

## Laws and regulations

We have made enquiries of management regarding compliance with laws and regulations and reviewed correspondence with the relevant authorities.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

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# AUDIT DIFFERENCES

To date there are two audit differences that require correction that result in an overstatement of expenditure and understatement of net assets by £76,000.

There are 5 audit differences from the prior year that have been corrected in 2019/20. The impact of the roll forward of prior year differences has resulted in net costs reported for 2019/20 being understated by £90,000 and return on assets for 2019/20 being overstated by £230,000. These are no longer audit differences at 31 March 2020 and we do not ask that you correct these as a prior period adjustment as the impact is not material. However, we report these to show the impact on the net returns in the fund account for 2019/20.

The impact of the current year and prior year audit differences has resulted in the fund account understating net expenditure by £244,000.

		Fund Account			Net Assets Statement	
		NET DR/(CR) £000s	DR £000s	(CR) £000s	DR £000s	(CR) £000s
<b>Audit differences</b>						
Decrease in net assets / net assets of the fund before adjustments		72,703			1,079,433	
Adjustment 1: Unbilled pension strain income						
Dr Debtors					292	
Cr Contributions		(292)		(292)		
Adjustment 2: Bank reconciliation adjustment						
Dr Expenditure		216		216		
Cr Bank					(216)	
Total audit differences		(76)			76	
Decrease in net assets / net assets of the fund after adjustments		72,627			1,079,509	
<b>Prior year audit differences</b>						
Lump sum payments charged to 2019/20 that should be expenditure in 2018/19			(130)			
Transfer payments charged to 2018/19 that should be expenditure in 2019/20			227			
Pension strain income credited to 2019/20 that should be income in 2018/19			132			
Unreconciled bank balance debits cleared in 2019/20 that should be written off in 2018/19		(139)				
Investments valuation increase credited to 2019/20 that should be recognised in 2018/19		230				
<b>Impact of prior year audit differences on fund account performance for 2019/20</b>		320				

# REPORTING ON OTHER INFORMATION

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

Matter	Comment
We are required to report on whether the financial and non-financial information in the Pension Fund Annual Report is consistent with the financial statements and the knowledge acquired by us in the course of our audit.	We are satisfied that the other information in the Pension Fund Annual Report is consistent with the financial statements and our knowledge.

# SIGNIFICANT DEFICIENCIES

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Pension Fund Committee.

As the purpose of the audit is for us to express an opinion on the financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

Area	Observation & implication	Recommendation	Management response
Contributions receivable	We noted that the pension administrator does not always perform checks over the completeness and accuracy of contributions. Contributions returns received are captured onto contributions schedule without any checks to ensure the accuracy and completeness of contributions. Some returns received from employers do not come with corresponding payroll report confirming contributions due and some returns do not split out the employer and employees contributions figure.	A monthly reconciliation should be performed and detailed payroll reports obtained so that check that contributions are accurate and complete.	[xx]
Bank reconciliations	Our audit work identified an unreconciled £216,000 difference between the ledger cash at bank amount and the bank statement amount of cash held. Management has not been able to provide evidence to support the claim that this was a misposting in the bank general ledger.  A complete bank reconciliation is a key management control to identify any irregularities and to confirm that all income and expenditure has been properly accounted for.	Management should regularly reconcile bank leger amount to bank statement to be able to identify any incorrect posting in the bank leger and resolve reconciling differences on a timely basis.	[xx]

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Area	Observation & implication	Recommendation	Management response
Termination of leavers access to IT systems- Integra	<p>Nine staff members who had left the employment of the Council during the year but their access to the system was not terminated after the Council's 30 day access termination policy. There is a risk that a leaver's profile can be accessed by a different staff member after they have left which could result in gaps in the audit trail or accountability and potential breach of IT segregation of duties and other related access controls.</p> <p>We have reviewed login reports from the system and have confirmed that none of these staff members logged into the system post their leave date.</p>	Management should review leavers report from Human Resources and check that access to all critical systems have been terminated on time.	[xx]
No regular user access right review of Integra and Logotech IT systems	<p>There are no periodic or regular user access and access rights reviews for Integra and Logotech. There is a risk that user access rights may not be appropriate for their roles resulting in authorised access to data.</p>	Management should conduct periodic access rights review to ensure that access rights are appropriate for users roles.	[xx]
Weak IT password policy for Logotech	<p>The password control is of minimum strength that may result in exposure of unauthorised access to Logotech.</p>	Improve mandatory password strength to the Logotech system such as new passwords every 30/60/90 days, the 6 previous passwords cannot be re-used, minimum 6 characters and at least 1 special character and at least 1 number.	[xx]

# FOLLOW UP OF PRIOR YEAR DEFICIENCIES

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Area	Issue and impact	Original recommendation	Progress	Management response
Membership data	<p>We acknowledge the effort by management and the Capita Darlington Pensions Team to address the accuracy of membership data to prepare for the 2019 triennial valuation.</p> <p>However, there remain significant deficiencies in controls to ensure the ongoing accuracy of membership data.</p>	<p>We recommend that management review the processes and controls for employers and employees to inform the Council (as administering authority) and the Capita scheme administrators of changes and for the Council to undertake quality assurance checks of the data.</p>	<p>The actuary has acknowledged that data was deemed appropriate for the pension liability valuation. The number of issues identified over the accuracy membership data has decreased compared to previous years.</p> <p>However, we continue to identify members where listed as active in the membership system but no contributions are being received.</p>	[xx]
Contributions	<p>We noted that Capita does not perform checks over the completeness and accuracy of contributions. Contributions returns received are captured onto contributions schedule without any checks to ensure the accuracy and completeness of contributions. Some returns received from employers do not come with corresponding payroll report confirming contributions due. some returns do not split out the employer and employees contributions figure.</p>	<p>A monthly reconciliation should be performed and detailed payroll reports obtained to check that contributions are accurate and complete.</p>	<p>No progress and recommendation restated in current year.</p>	See current year significant deficiencies response

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Area	Issue and impact	Original recommendation	Progress	Management response
Bank reconciliation	Our audit work identified unreconciled amount of £139,000 included in the bank balance at year end. Management could not confirm what the amount relates to.	Management should review processes for preparing cash and bank analyses and supporting bank reconciliations.	Unreconciled bank balance has increased to £216,000.  No progress and recommendation restated in current year.	See current year significant deficiencies response

# OVERVIEW

## Opinion on financial statements

We anticipate issuing an unmodified opinion on the financial statements.

## Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting or the Pension Fund's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

There are no material uncertainties in relation to going concern disclosed in the financial statements of which we are aware that we need to draw attention to in our report.

## Other information

We have not identified any material misstatements that would need to be referred to in our report.

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# INDEPENDENCE

## Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2020.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Planning Report.

We have not identified any relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Council.

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Council.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

# FEES

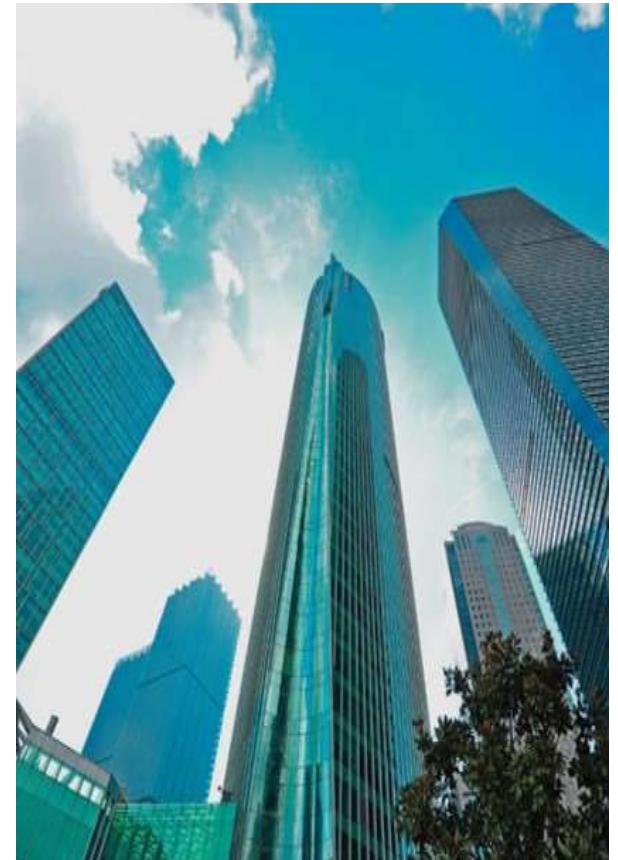
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Fees summary	2019/20	2019/20	2018/19
	Actual	Planned	Actual
	£	£	£
<b>Audit fee</b>			
Code audit fee	21,170	21,170	21,170
Supplementary fees	TBC	15,000	13,308
Proposed supplementary fee variation			
<b>Total fees</b>	<b>TBC</b>	<b>36,170</b>	<b>34,478</b>

In our audit plan we proposed supplementary fees of £10,000 in response to expectations of auditors to undertake additional work around management judgements and estimates, to obtain additional corroborating evidence for areas of risk, and to follow up issued arising from the previous audit.

We also proposed an additional fee of £5,000 in 2019/20 in respect of the additional work required to audit the data submitted in the 2019 triennial valuation and used in the 31 March 2020 accounting valuation (IAS 19 for employers and IAS 26 for the whole fund) and the following two years.

We will update our final costs upon completion of the audit.



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# OUR RESPONSIBILITIES

## Responsibilities and reporting

### Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements.

We report our opinion on the financial statements to members of the Council (as the Administering Authority).

We read and consider the 'other information' contained in the Pension Fund Annual report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

### What we don't report

Our audit is not designed to identify all matters that may be relevant to the Pension Fund Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



# ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

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Issue	Comments
Significant difficulties encountered during the audit.	The audit has been very challenging as a result of the Covid-19 lockdown. This has meant that staff on both sides are working from home and therefore the face to face communication/review of files has not been possible resulting in increased time being spent to both sides in relation to the audit.
Written representations which we seek.	We enclose a copy of our draft representation letter.
Any fraud or suspected fraud issues.	No exceptions to note.
Any suspected non-compliance with laws or regulations.	No exceptions to note.
Significant matters in connection with related parties.	No exceptions to note.

# COMMUNICATION WITH YOU

## Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance are to the Corporation as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Pension Fund Committee.

## Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication	Date (to be) communicated	To whom
Audit Planning report	27 July 2020	Pension Fund Committee
Audit progress report (this report)	7 October 2020	Pension Fund Committee
Audit completion report	TBC	Pension Fund Committee

# OUTSTANDING MATTERS

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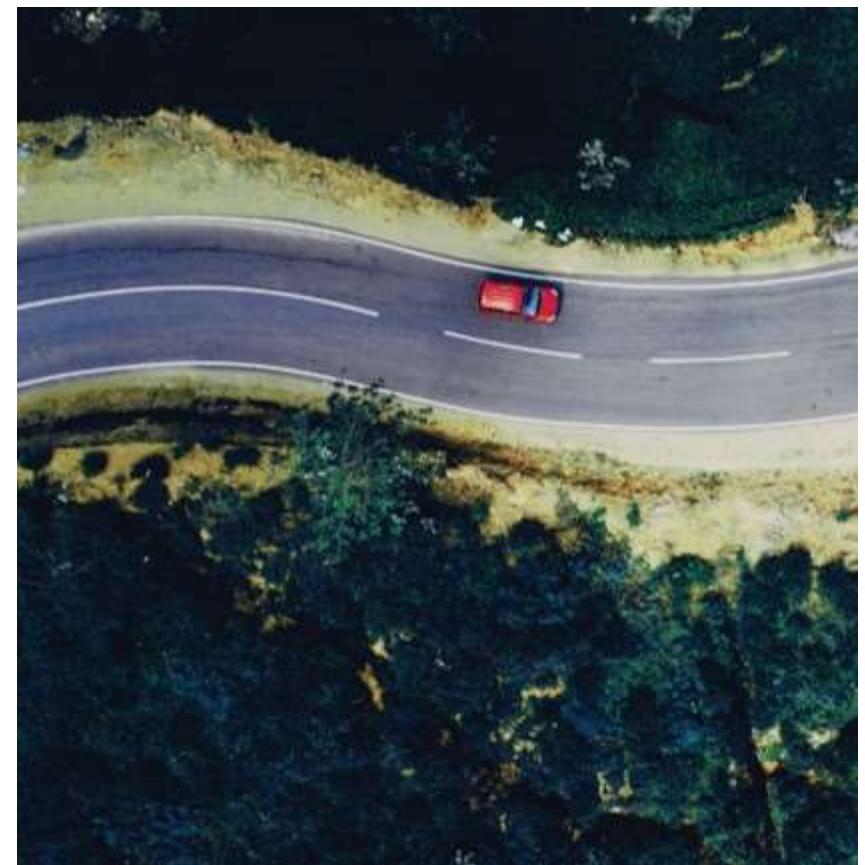
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We have substantially completed our audit work in respect of the financial statements for the year ended 31 March 2020.

The following matters are outstanding at the date of this report and could impact our audit opinion. We will update you on their current status at the Pension Fund Committee meeting at which this report is considered:

- Remaining evidence to support journals testing
- 3 samples relating to triennial data submission
- Confirmation from actuary for assumptions applied in the calculation of the remedy McCloud and periods covered by the GMP liability
- Remaining samples for contributions due
- Remaining samples for pensions paid
- Completion of manager, partner and internal quality reviews.



# AUDIT REPORT

To be drafted and agreed once outstanding testing has been completed.

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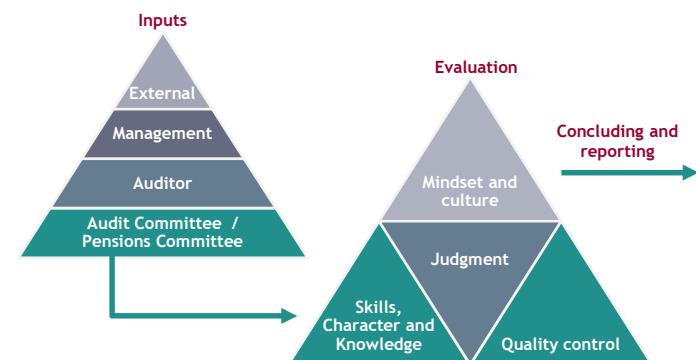
# FRC PRACTICE AID FOR AUDIT COMMITTEES

The FRC issued an updated practice aid for audit committees in December 2019 and a full copy can be found on the [FRC website](#). In their practice aid the FRC note: ‘The directors of a company (the Board as a whole) are responsible for ensuring its financial statements are prepared in accordance with the applicable financial reporting framework and for overseeing the company’s internal control framework. A high-quality audit provides investors and other stakeholders with a high level of assurance that the financial statements of an entity give a true and fair view and provide a reliable and worthy basis for taking decisions.’

The practice aid then discusses how the role of audit committee in serving the interests of investors and other stakeholders is through their independent oversight of the annual corporate reporting process including the audit. The FRC highlight that the responsibility for appointing the external auditor, approving their remuneration and any non audit services work, ensuring their independence and challenging them over the quality of their work falls to the audit committee and can play a key role in facilitating a high quality audit (see note below).

It gives guidance for audit committee in the following areas:

- Audit tenders and the tender process including audit fee negotiations and auditor independence
- A model for use by audit committees in making an overall assessment of an external auditor including inputs, evaluations and concluding:



- Transparency - reporting to the Board on how the audit committee has discharged these responsibilities
- Some guidance on key areas of audit judgement

The provision of high quality audits are a key focus of FRC and the new Executive Director of Supervision, David Rule, sent a letter to all audit firms in November 2019 explaining the factors he would expect to see in place in order to facilitate the delivery of high quality audits. A copy of the letter can be found on the [FRC website](#).

# LETTER OF REPRESENTATION

BDO LLP  
55 Baker Street  
London  
WIU 7EU

[Client name and Letter headed paper]

Dear Sir / Madam

## Financial statements of London Borough of Barnet Pension Fund for the year ended 31 March 2020

We confirm that the following representations given to you in connection with your audit of the Pension Fund's financial statements for the year ended 31 March 2020 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Chief Finance Officer has fulfilled her responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Pension Fund as of 31 March 2020 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the Pension Fund, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Pension Fund's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the Pension Fund have been made available to you for the purpose of your audit and all the transactions undertaken by the Pension Fund have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of management and other meetings have been made available to you.

### Going concern

We have made an assessment of the Pension Fund's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release.

As a result of our assessment we consider that the Pension Fund is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, we confirm that the disclosures included in note 2 to the financial statements are sufficient.

In making our assessment we did not consider there to be any material uncertainty 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.

### Laws and regulations

In relation to those laws and regulations which provide the legal framework within which the Pension Fund's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

### Post balance sheet events

Other than those disclosed in the financial statements, there have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

### Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

# LETTER OF REPRESENTATION

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

## Misstatements

You have not advised us of any remaining unadjusted misstatements in the financial statements or other information in the Annual Report.

## Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

Other than as disclosed in note 22 to the financial statements, there were no loans, transactions or arrangements between the Pension Fund and Corporation members or their connected persons at any time in the year which were required to be disclosed.

The disclosures in the financial statements concerning the Corporation as Administering Authority of the Pension Fund are accurate.

## Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the financial statements.

## Accounting estimates

The value at which investment assets are recorded in the net assets statement is the market value. We are responsible for the reasonableness of any significant assumptions underlying the valuations, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the scheme. Any significant changes in those values since the year end date have been disclosed to you.

None of the assets of the scheme has been assigned, pledged or mortgaged.

The following key assumptions have been used to calculate the actuarial present value of future pension benefits disclosed in the financial statements:

- Rate of inflation (CPI and pensions): 1.9%
- Rate of increase in salaries: 2.6%
- Rate of discounting scheme liabilities: 2.3%
- LGPS commutation take up option: 50%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

We consider these assumptions to be appropriate for the purposes of estimating the pension liability in accordance with the Code and IAS 26.

## Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

## Confirmation

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

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each officer and member has taken all the steps that they ought to have taken as an officer or member of the Corporation in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Anisa Darr - Director of Finance

[date]

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## BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the FRC's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at [www.bdo.co.uk](http://www.bdo.co.uk)

**FOR MORE INFORMATION:**

**Leigh Lloyd-Thomas**

t: 020 7893 2616  
e: [leigh.Lloyd-thomas@bdo.co.uk](mailto:leigh.Lloyd-thomas@bdo.co.uk)

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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