

## Scheme Advisory Board (SAB)

Local Government Pensions Team, Ministry of Housing, Communities and Local Government (MHCLG)

Response via email to [LGpensions@communities.gov.uk](mailto:LGpensions@communities.gov.uk)

10 October 2025

### **CIPFA/LASAAC Consultation on the draft 2026-27 Code of Practice on Local Authority Financial Reporting in the UK : Scheme Advisory Board response**

This response is submitted on behalf of the Local Government Pension Scheme Advisory Board (England and Wales) which is a body set up under Section 7 of the Public Service Pensions Act 2013 and The Local Government Pension Scheme Regulations 110-113.

The Board's purpose is to:

- Provide advice to the Secretary of State and to administering authorities on "the desirability of changes to the scheme" and "in relation to the effective and efficient administration and management" of the LGPS
- Provide a framework to encourage best practice, increase transparency and coordinate technical and standards issues across the sector

Membership of the Board includes equal number of voting members representing employers and employees. Non-voting members and advisors also support the Board.

There are around 18,000 employers participating in the Scheme and therefore on the Board and its sub-committees there are representatives of some of the larger employer groups (further/higher education institutions and academy schools).

Secretariat services are provided by the Local Government Association (LGA) and separate Advisory Boards have been established for the LGPS in Scotland and in Northern Ireland.

This response was compiled by the Board Secretariat and agreed by the Board Chair but the policy intent has been discussed within the Board's various working groups, of which CIPFA is represented.

Yours sincerely,

*Clair Alcock*

Clair Alcock  
Secretary to the Board

**Scheme Advisory Board Secretariat**

18 Smith Square, London, SW1P 3HZ

The Board secretariat is provided by the Local Government Association

## Scheme Advisory Board (SAB)

### GENERAL COMMENTS

1. The Board will limit its comments to those proposals specifically related to the proposed decoupling of local government pension fund accounts from those of their host administering authority. The LGA has made a fuller response and we support the comments made in that.
2. Decoupling of pension fund accounts from those of the host authority is something that the Board fully supports and has long lobbied for. We note that in Scotland and Wales decoupled was successfully achieved many years ago, and so separation in England is not an unknown or risky proposition.
3. There have in recent years been significant issues posed by the failure to sign off final pension fund accounts due to unrelated issues with the audit of the host authority's accounts. This has had further repercussions for the thousands of scheme employers who rely on audited data from the pension fund in completing their own accounts. Hopefully other measures will help prevent a recurrence of the local audit backlog which has created these knock-on effects but there are still good reasons to pursue decoupling.
4. For example, decoupling creates an opportunity to improve the quality of pension fund reporting. Increasing the focus on the pension fund should enable readers of the accounts to better assess the effectiveness of a pension fund's governance framework. It also addresses the concern that pension fund accounts can be lost within those of the wider administering authority and not given due focus.

### ANSWERS TO SPECIFIC QUESTIONS

***Question 10: Do you agree that LGPS pension fund accounts should be removed from administering authorities accounts and published separately? If not, why not? Please provide reasons for your view.***

5. Yes, we agree that LGPS pension funds should be decoupled from administering authorities and published separately.
6. The problems with local audit have had an impact on the timely publication of finalised audited pension fund accounts and this has caused problems for the accounts of employers in the LGPS. There are over 18,000 separate employers in the scheme, far more than those that have been directly affected by the local audit problems. So long as pension fund accounts remain part of the host local authority accounts, problems unrelated to the issuing of audit opinions on the pension fund itself will continue to impact on pension fund accounts.
7. Also, the pension function is a unique one amongst the administering authority's responsibilities in that it operates under quasi-fiduciary duties and monies are held in a ringfenced separate from all the other accounts of the administering authority. While there are similarities between the fiduciary duties of the administering authority and its general public duties, they are separate and different considerations which

## Scheme Advisory Board (SAB)

8. apply due to this not being, in the words of the Supreme Court, “public money” in the strict sense of the term.

***Question 11: Do you agree that LGPS pension fund accounts should have a separately prepared annual governance statement? If not, why not? Please provide reasons for your view.***

9. Yes, we believe that LGPS pension funds should have a separately prepared annual governance statement. We understand that this is also the practice for LGPS funds in Scotland and Wales.
10. This would be a positive step as the host authority’s annual governance statement would not usually make specific reference to the pension fund nor refer to the different control processes that apply to pension funds specifically. We will need to consider the specific requirements of a statement in the wider context of the governance reforms being undertaken by MHCLG through the Fit for the Future initiative.

***Question 12: If a separate annual governance statement is required, do you agree that the head of paid service and leader of the council at the administering authority should sign the statement? If not, who should sign the statement? Please provide reasons for your view.***

11. Yes, given the importance of some central services that pension funds will continue to rely on (eg, finance, legal, IT). However, we think that the Chair of the Pensions Committee and/or the proposed Senior LGPS Officer should also sign the statement. This would better reflect the fact that the administering authority function should be undertaken independently of other functions of the host authority. Again, the detail of this should be considered by MHCLG in the delivery of their “Fit for the Future” proposals.

***Question 13: Do you agree that LGPS pension fund accounts should have a separately prepared statement of responsibilities? If not, why not? Please provide reasons for your view.***

12. Yes, noting that the requirement is for a separately prepared statement of responsibilities for LGPS funds in the devolved administrations; as previously noted, we agree that it is important for Code reporting requirements to be consistent across the United Kingdom where possible.

***Question 14: If a separate statement of responsibilities is required, do you agree that the section 151 officer at the administering authority should sign the statement? If not, who should sign the statement? Please provide reasons for your view.***

13. Yes, this would appear to be the right approach under current arrangements. Again, we think that the Chair of the Pensions Committee and/or the proposed Senior LGPS Officer should also sign or have responsibility for the completion of the statement. However, this is another area may need to be reviewed when the governance proposals in the LGPS Fit For the Future consultation are implemented

## Scheme Advisory Board (SAB)

***Question 15: Should the audit committee of the administering authority approve the pension fund accounts? If not, who should approve the accounts? Please provide reasons for your view.***

14. Yes.

***Question 16: Do you have any other comments or suggestions on the application of other aspects of the local audit and accounting regime (such as the value for money assessment, inspection and objection rights and public interest reporting) once pension fund accounts have been separated to ensure they operate in a proportionate and effective way?***

15. Those with an interest in pension fund accounts are wider than local electors or taxpayers, and indeed it is arguable that other scheme employers, the scheme members and their representatives have a much closer interest in the efficient management of the pensions function. There is therefore an argument to be made that different objection and inspection rights should apply to pension fund accounts after decoupling. We believe that inspection is a key accountability mechanism which should be maintained though.
16. In terms of the appropriate timescale for the audit and publication of pension fund accounts, it is important to recognise that many other bodies rely on the assurances provided by that audit. Some of those bodies are local authorities but others, such as academy schools and further/higher education employers have different dates for the publication of their accounts. Therefore it is important to consider the implications on them of changing the date for the audit and publication of the pension accounts.
17. One option would be to keep it line with the general local authority dates, but another would be to move it 1 December so that it aligns with the statutory date by which the pension fund annual report must be published. A later date that the current deadline would be helpful for pension funds in terms of getting accurate valuations of complex, unlisted investments that they hold but also we are aware that accounts are usually audited before the statutory deadline to publish the pension fund annual report, therefore an earlier date than 1 December might be more aligned with actual process. Both options would create issues for some employers and officers preparing the accounts and pension fund annual reports so we believe further consideration of the options should be given before a final decision is made.
18. We believe that if they continue to apply, Value For Money reporting arrangements for pension funds should be clearly directed at ensuring that the pension function is appropriately funded, secure and efficient. Against a background of long-term austerity in local government, there should be no direct or indirect restraints on spending on administration or governance of the pension scheme and the imperative to drive down costs should not apply.
19. However, it seems prudent to require auditors to check that administering authorities make the arrangements necessary to ensure that they can discharge their fiduciary duty to their members, which is to ensure that pensions are paid in full and on time.

### **Scheme Advisory Board Secretariat**

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