

# Scheme Advisory Board

Jim McMahon MP  
Local Government Minister  
Ministry of Housing, Communities and Local Government  
Fry Building  
2 Marsham Street  
SW1P 4DF

12 November 2024

Dear Jim

## External Audit of Local Government Pension Scheme (LGPS) Accounts

I am sure you are aware of the long-standing issues with the timely completion of the audit of local authority accounts. Apart from the impact this has on transparency and accountability of local government, these delays also have a significant adverse impact on the finalisation of English LGPS fund accounts. This is because they are required to be part of the same document as their administering authority's accounts and the delays in the preparation and publication of the administering authority's main accounts impacts on the publication of each LGPS fund's annual report and statement of accounts. There is also, importantly, a further knock-on effect on many of the scheme's 20,000 employers' ability to prepare and publish their own annual report and statement of accounts. It also impacts on the Board's efforts to pull together the [scheme-level annual report](#) it produces each year.

In line with its statutory purpose to "provide advice to the Secretary of State on the desirability of making changes to the Scheme" the Board [wrote](#) to the Government in August 2022 to recommend the separation of pension fund accounts from that of the administering authority's main accounts.

The Board's view is in line with all key stakeholders with an interest in this issue who are cc'd into this letter. Separation of accounts has been suggested to the government by the Redmond Review, the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Chartered Accountants in England and Wales (ICAEW) and the Select Committee for Levelling Up in the last Parliament. The Select Committee included in its [report](#) as recommendation 11:

*"Local authority accounts are currently required by legislation to include Pension Fund statements, but this has made the accounts longer, more complicated, and less useful to users. The Government should introduce legislation to decouple local authority accounts from these Pension Fund statements, which should be published as separate documents."*

The Board received reassurance from officials that the previous Government accepted the Board's recommendation and intended to give effect to separation once a suitable legislative vehicle was available. No such vehicle was found before the General Election and following discussion at the Compliance and Reporting Committee on 21 October 2024 it is clear this issue is still a key concern, so we are now repeating our recommendation to you.

## Scheme Advisory Board Secretariat

18 Smith Square, London SW1P 3HZ

The Board secretariat is provided by the Local Government Association

The King's Speech contained a commitment to bring forward a number of potential vehicles for such provisions – for example, the draft Audit Reform and Corporate Governance Bill, the Pension Schemes Bill or indeed the Devolution Bill.

In Scotland and Wales, the separation of the pension fund accounts from the main local authority accounts was achieved years ago and they report no loss of accountability. Separation of accounts has been recognised as also assisting public engagement with local government accounts by removing a complex, specialist area from the main document.

Separation might also be used as an opportunity to review and streamline the reporting requirements on pension fund accounts, and to modernise the existing rights to question and object to the pension fund accounts. The right to question the auditor about a public body's accounts is of course fundamental, but the Board is aware of a growing tendency for activist groups to raise vexatious questions or objections to pension fund accounts as a campaign tactic. For example, groups have asked to inspect documents relating to consultancy advice on climate risk, and eventually objected to the accounts (which increases audit fees and delays publication) simply because they do not agree with the advice being given.

As the local authority pension fund is a ring-fenced fund held under a quasi-fiduciary duty for the benefit of scheme members, it is questionable whether it is appropriate for the general public (not even just local electors) to be able to raise questions about pension fund accounts in the same way that they are able to for the main council accounts.

Revising the inspection and objection provisions could be done in a way that reflects their particular status without significantly detracting from the transparency of pension fund accounts – not least as more extensive rights to information are available through the Freedom of Information (Fol) Act. Rights of inspection under Fol are also wider in scope, timebound and have a well-understood framework of exemptions that help to prevent abuse of those rights.

Yours sincerely



Joanne Donnelly  
Board Secretary

cc

Alison Ring, Director of Public Sector (ICAEW)

Iain Murray, Director of Public Financial Management (CIPFA)

Neil Harris, Director of Local Audit, Financial Reporting Council (FRC)

Mark Wynn, Acting Chief Executive, Lancashire County Council and Chair of the Compliance and Reporting Committee