

Scheme Advisory Board

Paul Scully MP
Minister of State (Minister for Levelling Up Communities)
Fry Building
2 Marsham Street
SW1P 4DF

3 August 2022

Please reply to joanne.donnelly@local.gov.uk

Dear Paul

Local Government Pension Scheme: Scheme Advisory Board External Audit of Local Authority Accounts

I am writing to bring to your attention concerns raised by Board members about the impact of the late completion of local authority accounts. The Board's interest arises because in England LGPS pension fund accounts form part of their administering authority's accounts. Delays in the preparation and publication of the administering authority's main accounts are delaying publication of the pension fund annual report that each LGPS administering authority has a statutory responsibility to publish by December 1st each year. This delay then impacts on the Board's ability to prepare and publish our own scheme annual report in a timely manner.

I am also aware that these delays have had an impact on publication of the Department's SF3 2020/21 statistical return which had to be published twice, firstly in October 2021 using mostly provisional accounting data and secondly in February 2022 with revised figures as more main accounts had been signed off.

The issues behind delays in the external audit of local authority accounts are much wider and not related to the preparation of pension fund annual accounts. The Board is firmly of the view that, so long as pension fund accounts remain part of the main local authority accounts, problems unrelated to pension fund accounts will continue to impact on the timely publication of the pension fund accounts and the pension fund annual report. We would therefore like to explore with you ways of facilitating a solution which is acceptable to the scheme and its stakeholders.

When it last met on June 6th, the Board agreed to recommend the separation of the pension fund annual accounts in England from the administering authorities' own accounts, as is already the case for the LGPS in Scotland and Wales. We understand that in both of those nations the separation of the pension fund accounts from the main local authority accounts was achieved straightforwardly and within existing legislative powers and with no loss of accountability. Indeed, it is notable that in Scotland and Wales 80% of pension funds managed to publish audited pension fund accounts on or before 1st December 2021, whilst in England only 17% of audited pension fund annual reports were published by the same date.

Scheme Advisory Board Secretariat

18 Smith Square, London SW1P 3HZ

The Board secretariat is provided by the Local Government Association

We also believe that moving to separate pension fund accounts will open up the market for more specialist external audit firms to engage on pension fund accounts. This has the potential to improve the quality of pension audits and for providing better value for money for those who meet the scheme's costs. The proposal would also be deregulatory to the extent that local authorities with LGPS responsibilities would no longer be required to prepare two sets of accounts. It would also assist with reform of audit in local government more widely by removing a complex, and specialist area from the main administering authority accounts. This would be helpful as part of the wider goal in ensuring the timely and robust audit of local authority accounts, benefiting the health of the LGPS and local government finance in general.

I very much hope that you will be able to support the Board's recommendation and ask your officials to work with us to put in place the necessary arrangements. I appreciate that you will need time to consider the full implications of the Board's recommendation and stand ready if you feel that a meeting to discuss this in more detail would be helpful.

I am also pleased to be able to inform you that we have now launched the Board's ninth Scheme Annual report. The Annual Report provides a single source of information about the status of the LGPS for its members, employers, and other stakeholders. Continually improving key information about the Scheme as a whole is one of the top priorities of the Board. The report, which can be found at <https://lgpsboard.org/index.php/schemedata/scheme-annual-report>, aggregates information supplied in the 86 fund annual reports, as of 31st March 2021.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Roger', followed by a long horizontal line extending to the right.

Cllr Roger Phillips
Chair of the Board