

Local Pension Board

Wednesday 2 April 2025
10:00 am
Meeting Room G02C, 160 Tooley Street

Membership

Mike Ellsmore (Independent Chair)

Dominic Cain (Vice Chair) – Employer Representative

Sarah Feasey – Employer Representative

Mike Antoniou – Schools Employer Representative

Stuart Mumford – Employee Representative

Helen Laker – Employee Representative

Tony O'Brien – Retired Employee Representative

Diana Lupulesc – Substitute Employee Representative

Local Pension Board

Wednesday 2 April 2025
10:00 am
Meeting Room G02C, 160 Tooley Street

Order of Business

Item No.

Title

PART A – OPEN BUSINESS

- 1. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

- 3. NOTIFICATION OF INTENTION TO CONDUCT BUSINESS IN A CLOSED MEETING**

- 4. DISCLOSURE OF INTERESTS AND DISPENSATIONS**

Members of the board to declare any interests and dispensation in respect of any item of business to be considered at this meeting.

- 5. MINUTES**

To agree as a correct record, the open minutes of the meeting held on 22 January 2025.

- 6. ACTION TRACKER**

- 7. PENSIONS SERVICES**

- 8. PENSIONS DASHBOARD**
- 9. PENSIONS ADVISORY PANEL MEETING PAPERS**
- 10. PENSION FUND STATEMENT OF ACCOUNTS AND AUDIT FINDINGS REPORT 2023-24**
- 11. GENERAL CODE OF PRACTICE – ACTION PLAN**
- 12. UPDATE ON CURRENT LGPS ISSUES**
- 13. ANY OTHER OPEN BUSINESS**

PART B – CLOSED BUSINESS

EXCLUSION OF PRESS AND PUBLIC

The following motion should be moved, seconded and approved if the sub-committee wishes to exclude the press and public to deal with reports revealing exempt information:

“That the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 1-7, Access to Information Procedure rules of the Constitution.”

14. MINUTES

To agree as a correct record, the closed minutes of the meeting held on 22 January 2025.

15. RISK REGISTER

16. ANY OTHER CLOSED BUSINESS

Date: 21 March 2025

Local Pension Board

MINUTES of the OPEN section of the Local Pension Board ('LPB' or 'the Board') meeting held on Wednesday 22 January 2025 at 10.00 am at Meeting Room G02C at 160 Tooley Street, London, SE1 2QH

PRESENT: Mike Ellsmore (Independent Chair)
Sarah Feasey – Employer Representative
Mike Antoniou – Schools Employer Representative
Tony O'Brien – Retired Employee Representative
Clive Palfreyman
Caroline Watson
Agne Svencionyte
Louise Charman
Tracey Milner
Tufazzul Miah

1. TRAINING SESSION – INVESTMENT REBALANCING CASE STUDY

Item presented by Tracey Milner.

TM presented the investment strategy including responsible investment policies, strategic asset allocation, discussed how we move from the actuarial valuation. Mentioned how there is a new focus on increasing investment in index-linked gilts as the asset was underweight in the investment portfolio. There was a segment on the timeline of the rebalancing exercise including obstacles in the rebalancing process and the actions taken to maintain an audit trail.

MA asked a question related to decision making on asset allocation. TM explained that decisions were made with consultation from actuary and approval is given from Clive Palfreyman.

ME had a question related to the property held in the portfolio. TM explained that we hold a variety of property investments including commercial property.

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Barry Berkengoff, Dominic Cain, and Diana Lupulesc.

3. NOTIFICATION OF INTENTION TO CONDUCT BUSINESS IN A CLOSED MEETING

RESOLVED:

It was agreed that business is to be conducted in a closed meeting with a section at the end for closed agenda points.

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were no disclosures made in relation to any interests or dispensations.

5. MINUTES

RESOLVED:

That the minutes of the Board meeting held on 9 October 2024 be agreed as correct record.

6. ACTION TRACKER

Item presented by Caroline Watson.

An update was provided regarding the status of various action items from a pensions operations perspective as well as the review of the Fund's readiness level in complying with requirements of the General Code.

Action point

Following Barnet Waddingham review of compliance with the general code, an action plan will be considered at the LPB meeting in April 2025.

7. PENSIONS SERVICES

Agne Svencionyte presented the report.

AS provided an update on progress made to date on the IT systems in place, including, the National Pension Dashboard (NPD); the issuance of annual benefit statements (ABS) especially around early planning ahead of issue of ABS.

An update was provided regarding Strictly Education discontinuing their

pensions payroll service and the risks presented to Southwark's LGPS and TPS service as a result of their withdrawal. Initial steps to mitigate risks were discussed. The schools are looking to commit with other providers.

MA asked a question relating to if it was just local government payroll market that strictly education is exiting which AS confirmed to be the case.

ME asked about the level of input schools have in the selection of payroll provider. Clive confirmed that it is the school's responsibility to decide this and notify the pensions service. Concern was expressed as to whether the issues relating to schools' payroll would impact on meeting the deadline for issuing the ABS.

Action points:

Barry to provide an update on the early ABS review as well on progress on the NPD.

8. BREACHES LOG

Caroline Watson presented the report.

Caroline provided an update on two new additions onto the breaches log relating to two admitted bodies failing to pay contributions since enrolment to the scheme. It was discussed that these two bodies have been reported to the pension's regulator. There was a discussion about potential further action. The Board expressed its disappointment and concern that the employers concerned appeared not to be giving the issue the priority it deserved.

Action point

Barry to provide additional information on Haberdashers Aske's failing to pay contributions and consult with legal to find a way to ensure that they continue to pay their LGPS contributions.

9. UPDATE ON CURRENT LGPS ISSUES

Tracey Milner presented the report.

Tracey provided an update on the key developments, in particular the new information from discussions with the Scheme Advisory Board (SAB)/Nigel Giffen KC relating to investments in conflict zones. It was noted that Nigel Giffen has now issued a further opinion on LGPS fiduciary duty.

In addition to this, an update was presented regarding the progress made on proposed separation of pension fund accounts from the Council's overall accounts. It was mentioned that it is likely that audits are to be completed more quickly because of this potential change in approach.

ME made a query to CP regarding the ongoing Audit, which CP confirmed is in the process of being finalised.

LPB was informed that the DfE is now providing a guarantee to ensure equal treatment of Further Education bodies members in relation to actuarial valuations.

10. PENSIONS ADVISORY PANEL MEETING PAPERS

Tracey Milner presented the report.

TM confirmed the submission of LBS's response to the "Fit for the future" consultation and that the response will be shared with LPB members. Issues around conflicts of interests were highlighted and a timetable for implementation for pooling was also discussed.

ME queried when we are expected to see progress in response to the consultation. Officers confirmed we should expect guidance and/or regulation before the end of 2025.

11. FORWARD PLAN 2025 – 2026

Caroline Watson presented this report.

Standing items to consider for this are:

1. Dashboard changes in the pensions services
2. ABS planning
3. Updating the Risk register
4. Budget monitoring
5. Fit for the future updates

12. TRAINING PLAN 2025 – 2026

Caroline Watson presented this report.

A plan set out for the board to approve the training plan. Members were advised to notify officers of any training activity.

13. ANY OTHER OPEN BUSINESS

No other business was discussed.

The meeting ended at 11.39 am.

CHAIR:

DATED:

Item 6
Local Pension Board - Action Tracker

Date of Meeting	Action Ref	Action	Due Date	Response	Status
7 April 2021	18	Revised Administration Strategy to be tabled at a future LPB meeting	July 2025	<p>Barry Berkengoff will be updating the existing Administration Strategy (which was due for review in 2024). This needs to link with the fund's Data Management Policy following procurement of UPM software; final employer fining policy; and agreed handover of employer pension fund work which began with the Council's HR/Payroll team in 2024 and will result in the transfer of all pensions "payroll admin" going back to Council Payroll (transfer date was expected by August 2024 but has been delayed by the Council).</p> <p>Once updated a revised Administration Strategy will be tabled at PAP, then at a future LPB meeting, before going to all Southwark employers for wider consultation.</p>	In progress (Council HR/Payroll to agree handover date with Pension Services)
10 July 2023	19	Reporting of key administration KPIs to the Board	July 2025	SAB has now produced new guidance around reporting and wider performance metrics. This is being considered further and how it can be implemented within existing Civica UPM software. Findings to be tabled at a future	Progressing

				Board meeting later in 2025.	
24 January 2024	20	Reports to be tabled re TPR General Code of Practice	April 2024	<p>Report to be tabled at the April 2024 meeting on the appointment of a third party to review the Fund's compliance against the Code. Provider to report back on findings at July 2024 meeting.</p> <p>Barnett Waddingham have been appointed to conduct this review and will report on their findings at the October 2024 meeting.</p>	Complete
9 October 2024	21	Action Plan – General Code of Practice to be tabled at future LPB meeting	April 2025	<p>An action plan will be developed to address the gaps/improvement areas identified by Barnett Waddingham during their review.</p> <p>The action plan will be tabled at PAP and will then be included as a standing agenda item at Board meetings until all actions are completed.</p> <p>The action plan was tabled at the March 2025 PAP meeting and will be tabled at the April 2025 Board meeting.</p>	Progressing

Meeting Name:	Local Pension Board
Date:	2 April 2025
Report title:	Pension Services – admin/ops update
Ward(s) or groups affected:	Not applicable
Classification:	Open
Reason for lateness (if applicable):	Not applicable
From:	Head of Pensions Operations

Recommendation

1. The Local Pension Board (the **Board**) is asked to note this update on the pensions administration and operational function.

Background Information

2. The Board last received an update in January 2025 setting out specific information on recruitment, IT/systems, National Dashboard Programme, UK Budget, communication initiatives and complaint management.

Recruitment

3. A number of vacancies exist across Pension Services. We will be working with Council HR over the coming months to try and recruit these positions.

IT/Systems

4. Future enhancements continue to be made to both the UPM Employer Hub and Member Portal, focusing on usability and functionality.
5. We continue to refine the user interface, addressing access issues, and ensuring security features meet compliance standards. Additionally, we are introducing further online calculators within the Member Portal, specifically designed for death benefits and ill-health early retirement. These tools will provide members with easier access to essential online information and support important lifestyle and financial decision making.
6. Plans to automate some bulk processes are underway and will significantly improve efficiency/accuracy of routine administrative tasks. This includes automating large-scale data updates, batch processing, and other high-volume tasks. Automation helps reduce manual intervention, minimizes human error and speeds up the process of managing records.

National Dashboard Programme

7. Southwark's "connect by" date remains unchanged at 31 October 2025.
8. Please note, the Government has not agreed a "go-live" date yet, but it is expected the National Dashboard service will commence later in 2026.
9. In line with Pensions Regulator best practice, a paper has been prepared for Board members including an updated National Dashboard checklist.

Progress to April 2025

10. Since the last Board update, further progress has been made in the following areas.

Communication initiatives

11. An Annual Benefit Statement (**ABS**) 2025 planning meeting took place in January 2025 to set out an overall project management plan and timeframe from when 2024/25 year-end data first becomes available.
12. Validated Council data is expected by April/May, whereas external employer data is expected by May/June (see payroll update item below).
13. A number of ABS employer planning sessions have been offered and we will also be attending School Business Manager forum meetings to clearly set out employer responsibilities and Pension Fund data requirements.
14. Some changes are planned for the main ABS, either to incorporate Additional Voluntary Contribution (**AVC**) fund values in the main ABS, or to ensure individual annual AVC statements are issued at the same time.
15. The Pension Funds Payroll team are currently dealing with the Annual Pension Increase (**PI**) and P60 exercise. Pensions in payment are increased each year in line with the cost of living, as measured by change in the Consumer Price Index ('CPI') over the year to previous September. The PI has been confirmed as 1.7% and is effective from 7 April 2025. A draft copy of the 2025 PI Newsletter is attached as Appendix item 2.

Strictly Education update – payroll provider

16. Schools HR team have now taken an active role in dealing with any legal and operational issues this change will have on many Southwark Schools.
17. Some schools have signed up with existing providers EPM and Dataplan.
18. Should any ABS year-end deadlines be missed, the Pension Fund may use a combination of annualized pay data from earlier in 2025 and/or any employer monthly returns submitted to the Pension Funds Finance team.

Complaint Management

Against Employer:

- Pensions Ombudsman single complaint - ill-health tiering award appeal against a former school employer. All ill-health tiering awards are recommended by Occupational Health following a medical assessment, but the employer makes the final decision.

Case OPEN – with Ombudsman pending formal decision

- Pensions Ombudsman single complaint - protracted complaint from former member of Council staff about legal Settlement Agreement.

Case OPEN – Adjudicator’s Opinion was recently issued upholding the complaint in part, but only an element of non-financial injustice. The Council accepted the Adjudicator’s Opinion whereas the complainant did not. The Council now awaits the Ombudsman’s Final Determination which is legally binding on all parties.

Against Administering Authority (i.e. Pension Fund):

- Pensions Ombudsman single complaint - co-habiting partners’ pension/death grant claim made against Pension Fund. The complainant alleged both he and the deceased had been financially dependent on one another and living together as husband and wife as per the LGPS Regs.

The complaint had been formally Determined and upheld in part. The Ombudsman found no evidence of a cohabiting relationship and said the Administering Authority had reached the correct decision based on the evidence available. The complainant disagreed and appealed the Ombudsman’s Final Determination.

Case CLOSED – complainant appealed Determination at the High Court of Justice in October 2024. The Judge determined the Pension Fund should reconsider its original decision plus any new evidence. The matter was re-considered afresh by an independent party and the complainant was offered the opportunity to re-submit any new evidence to strengthen his claim. No new evidence was submitted, and the re-consideration exercise established that the eligibility criteria for a co-habiting partners’ pension was not met.

- Pensions Ombudsman single complaint - pensions liberation claim that Pension Fund undertook no receiving scheme due diligence in 2016.

Case OPEN – the Pension Fund denies all allegations. Complainant has taken an identical matter to the Crown Court, meaning the Pensions Ombudsman may discontinue its own investigation.

Admin performance monitoring

Performance metrics are detailed in Appendix 1 covering the three-month period January, February and March 2025.

Horizon scanning

19. Gender Pensions Gap – the Pension Fund is committed to working alongside unions, LGA and SAB to support employers implementing a Gender Pensions Gap Corporate Strategy.
20. Buying Lost Pension – a review of factors is expected by Government Actuaries Department.
21. Minimum Normal Pension Age – increasing from age 55 to 57 from 2028.
22. Survivors' Benefits – Goodwin legal case linked to death benefits and where some surviving male spouse's (from opposite sex marriages) are worse off than surviving spouse's/partners from same sex marriages or civil partnerships.
23. Death Grants – Inheritance Tax (IHT) will be payable on Death Grants from 6 April 2027 but forms part of ongoing technical consultation. Under the current Regs and discretions Death Grants do not fall liable for IHT.
24. Forfeiture – under certain circumstances, LGPS employers can apply to forfeit an employee's pension or recover some or all of their pension benefits. These steps can only be taken where an employee leaves that employment as a result of committing an act of serious misconduct or a criminal, negligent or fraudulent act, or omission. As these rights to forfeit or recover benefits are only meant to be used in exceptional circumstances, these are, understandably, subject to strict tests and has been challenged previously via the Office of the Pensions Ombudsman.

Future work planning

25. Pension Services signed up to a wider Resources Directorate Business Plan over 2025/26. This includes IT related objectives such as improved member self-service functionality and any staff survey follow up actions.

Conclusions

26. Recruitment and retention of key staff with the necessary skills is critical to the achievement of all future plans, as is succession planning.

KEY ISSUES FOR CONSIDERATION

Policy framework implications

27. There are no immediate implications arising from this report.

Community, equalities (including socio-economic) and health impacts Community impact statement

28. There are no immediate implications arising from this report.

Equalities (including socio-economic) impact statement

29. There are no immediate implications arising from this report.

Health impact statement

30. There are no immediate implications arising from this report.

Climate change implications

31. There are no immediate implications arising from this report.

Resource implications

32. There are no immediate implications arising from this report.

Legal implications

33. There are no immediate implications arising from this report.

Financial implications

34. There are no immediate implications arising from this report.

Consultation

35. There are no immediate implications arising from this report.

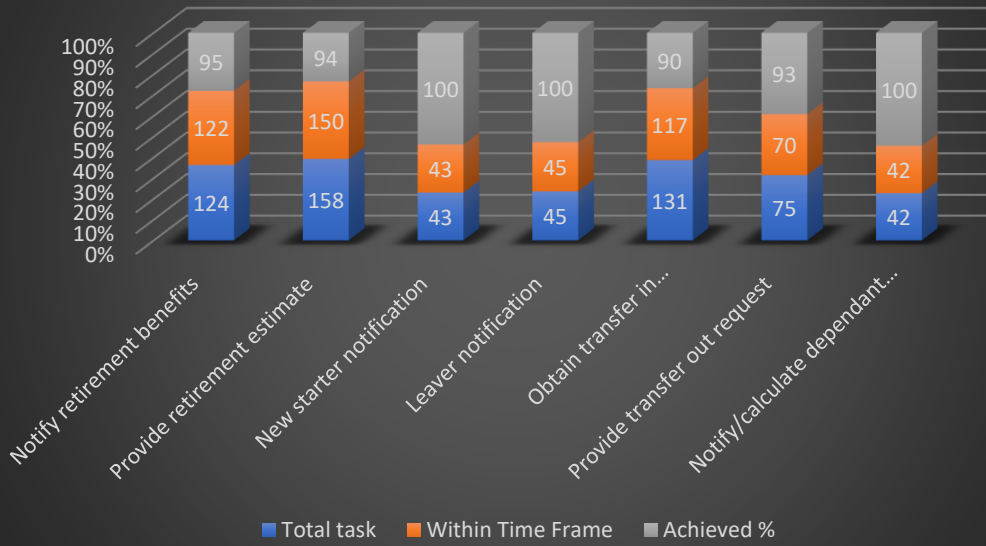
AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director, Resources	
Report Author	Barry Berkengoff, Head of Pensions Operations, Resources	
Version	Final	
Dated	24 March 2025	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Assistant chief executive, governance and assurance	No	N/a
Strategic director of resources	No	N/a
Cabinet Member	No	N/a
Date final report sent to Constitutional Team		

APPENDIX 1**Admin Metrics – January, February &
March 2025**

	Total Tasks	Within Time frame	Achieved	
Notify Retirement Benefits (Within One Month of Retirement)	124	122	95%	↓
Provide Retirement Estimate/ Quote on request	158	150	94%	→
New Starter Notification joining the LGPS	43	43	100%	→
Inform member who left scheme of leaver rights and options	45	45	100%	→
Obtain transfer details for transfer in, calculate and provide quote	131	117	90%	↑
Provide transfer out (CETV) request (Three months from date of request)	75	70	93%	↑
Calculate and notify dependants about death benefits	42	42	100%	→

Admin Metrics



Planning ahead

If you are a former employee of the London Borough of Southwark, a school or academy, or another employer that took part in the Fund, the Scheme will provide valuable benefits for the people who matter to you after you die. These benefits include pensions for eligible dependants and possibly a lump-sum death grant. This grant would be payable if you were to die within 10 years of starting your pension, and under age 75. There is more information about these benefits and who can receive them on the Scheme website at www.lgpsmember.org/help-and-support/frequently-asked-questions/?faq-type=after-you-die

While we hope you enjoy your Scheme pension for many years to come, we encourage you to consider taking the following steps:

- **If you are under age 75 and within 10 years of starting your pension**, please make sure you have completed an Expression of Wish form and that the details you have given are still up to date - you can do this using the Member Self-Service Portal. This form allows you to confirm who you would wish to receive any lump-sum death grant that might be payable.
- In October last year the Chancellor announced changes to inheritance tax rules that may affect the LGPS. At the moment, death grants paid by the LGPS do not count for inheritance tax purposes. The Government has consulted on including them in a member's estate for inheritance tax purposes from April 2027. This policy is at an early stage and more information will be available when the Government responds to the consultation.

Your State Pension

Remember that you receive a State Pension when you reach State Pension Age. You can find detailed information about the State Pension on the Government website. This includes contact details if you have any questions.

If you reached State Pension Age before 6 April 2016, you will continue to receive benefits under the 'old' two-tier State Pension system.

www.gov.uk/state-pension

If you reached State Pension Age on or after 6 April 2016, you will receive the 'new' State Pension.

www.gov.uk/new-state-pension

If you are under State Pension Age, you will receive the 'new' State Pension. You can check how much you could receive on the Government website.

www.gov.uk/check-state-pension

Many LGPS death grants would continue to be paid without any tax deducted because the value of the estate is lower than the threshold for inheritance tax.

- **If you are living with your partner but are not married or in a registered civil partnership**, please complete a Co-habiting Partner Information form.

You can print off blank Expression of Wish and Co-habiting Partner Information forms from the London Borough of Southwark website.

Go to www.southwarkpensions.co.uk/documents-library/member-forms.

Or, contact Southwark Pension Services and ask them to send you the form you need.

Remember to take a copy before you return your form and put it somewhere safe.

- Make sure that whoever will be settling your affairs knows about your Scheme pension and the benefits that may be payable to your dependants. Include the Pension Team's contact details. As soon as possible after your death, they will need to contact Southwark Pension Services.

Southwark Pension Services will arrange to stop paying your pension.

They will also start the process of identifying your eligible dependants and starting to pay their pensions, as well as arranging to distribute any lump-sum death grant that might be payable.

Please note

If you are receiving a dependant's pension following the death of a Scheme member, no further benefits will be payable when your pension stops.

Pension Credit – extra help for pensioners

Pension Credit gives you extra money to help with your living costs if you're over State Pension Age and on a low income. Pension Credit can also help with housing costs such as ground rent or service charges, NHS dental care, council tax and, if you are over 75, a free TV licence. You can find out more here <https://www.gov.uk/pension-credit>

Let's stay in touch

If you would like to receive our communications electronically, please send us your email address and National Insurance number (so we can match your records). Contact Southwark Pension Services on either:

- Email: lbspensions@southwark.gov.uk; or
- Telephone: **020 7525 4924**.

Connecting with you is really important and if we're going to make electronic communication work for everyone, we'd really like all members (in particular, our retired colleagues) to contact us and provide their home/personal email addresses. If you also provide your mobile phone number we can send you text alerts as well as emails. We will never share this information, and we have tight controls to keep all the details we hold about our members secure.

Here to help

If you have a question about your pension

Please contact Southwark Pension Services. Opening hours 9am to 5pm

Email: lbspensions@southwark.gov.uk

Phone: **020 7525 4924**

Write to: **Southwark Pension Services
Southwark Pension Fund
PO Box 7606
WS10 1EJ**

Website: www.southwarkpensions.co.uk

For enquiries regarding your payments

Please email: pensionspayroll@southwark.gov.uk

If you have a question about tax or your tax code

Please contact your tax office.

Write to: **LP Lothians TSO 846 (HMRC)
Grayfield House
5 Bankhead Avenue
Edinburgh EH11 4AE**

When you write, please remember to include your:

- tax reference number 846;
- Pay As You Earn (PAYE) reference number LLB8A; and
- National Insurance number.

Further reading

Your pension is paid from the London Borough of Southwark Pension Fund, which is part of the Local Government Pension Scheme.

You can find detailed information about the Pension Fund on the London Borough of Southwark website at www.southwarkpensions.co.uk

Your feedback is important to us

We hope you found this newsletter useful. If you have any comments on this edition or would like to suggest topics for future editions, we would like to hear from you. Please get in touch with Southwark Pension Services using the details on the left.

We're switching to digital communication

As part of our ongoing improvements to member services, we are notifying you of our intention to communicate with you digitally in future. This may be by email or, where the information is sensitive, by providing information to you via our secure Member Self-Service Portal.

Digital communication will allow you to access information quickly and at a time that suits you. It will also reduce our impact on the environment and help us to manage increasing postage costs. The switch to digital communication will not happen straight away. We are just letting you know our intention and giving you the opportunity to opt-out of digital communication if you wish to.

If you are happy for us to communicate with you digitally in future you must provide us with your email address, if you have not already done so. We suggest you do this by registering for the Member Self-Service Portal, which can be found at: <https://mypensions.southwarkpensions.co.uk/>

If you would like to continue to receive information by post, you may request in writing to the following address that information or documents are not given by means of an electronic communication.

**Southwark Pension Services
Southwark Pension Fund
PO Box 7606
WS10 1EJ**

We will be in touch again as our plans progress.

LOCAL GOVERNMENT PENSION SCHEME (THE 'SCHEME')

April 2025

PRIVATE & CONFIDENTIAL


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PENSION NEWSLETTER

This document contains information showing how your Scheme pension will increase from 7 April 2025. It also includes other subjects you might find interesting. If you want more information or have any questions, please get in touch using the contact details given on page 6.

 @lb_southwark  facebook.com/southwarkcouncil www.lgpsmember.org

lgps

Southwark
Council
southwark.gov.uk

Your 2025 pension increase

Your Scheme pension receives increases each year to help protect its value against rising prices. The rate of these increases is set out in law.

The Government has confirmed that from 7 April 2025, Scheme pensions should increase by 1.7%. The actual increase you receive depends on when your pension started. In addition, this increase may not be applied to the full amount of your pension (see 'Your increase in more detail' in the next column).

You will start to receive your increased monthly pension in April. The pension payment you receive in April will include the increased amount due between 7 April and 30 April.

Member Self-Service Portal

We continue to make changes and test the UPM Member Self-Service Portal. You can now update your personal details such as your address, expression of wish form, and bank details. We will be launching additional functionality over the course of 2025/26. More information will follow, but in the meantime, please direct any specific payroll payment queries to pensionspayroll@southwark.gov.uk

Any queries concerning the use of the Member Self-Service Portal can be sent to lbspensionsdata@southwark.gov.uk.

Your views and feedback

Tell us how we are doing so we can look to improve our overall payroll service.

We would like your views and feedback on the payroll service and what would be beneficial to you as a retired member of the pension fund. Please contact us at pensionspayroll@southwark.gov.uk.



Your increase in more detail

Your Scheme pension goes up in April each year in line with the cost of living, as measured by change in the Consumer Prices Index ('CPI') over the year to the previous September.

Over the year to 30 September 2024, the CPI went up by 1.7%.

Members who were receiving a Scheme pension on 22 April 2024 receive the full amount of this increase. If you are receiving a dependant's pension and your partner was receiving a Scheme pension on 22 April 2024 you will also receive the full amount of this increase. Members who have started to receive a previously deferred (frozen) pension since 22 April 2024 will also receive the full amount of this increase. If you are over State Pension Age and your pension includes benefits built up in the Scheme between April 1978 and March 1997, you may not receive the full amount of this increase. This is because during this period you built up a 'Guaranteed Minimum Pension' – and this part of your pension increases in a different way. There is more about this on the Scheme website.

www.lgpsmember.org/help-and-support/frequently-asked-questions/?faq-type=after-leaving#what-happens-to-my-lgps-pension-from-state-pension-age

All other members whose pension started after 22 April 2024 may receive a proportionately smaller increase. The table on the right shows the increases that apply.

Unless you previously requested a monthly paper payslip, you receive them as follows:

- once a year following the annual Pensions Increase exercise (you also receive a paper P60 each year)
- if your pension amount changes as a result of your tax code changing

If there is any reason you feel it is essential to receive a paper payslip monthly, please email the Pensions Team at lbspensions@southwark.gov.uk.

The date your Scheme pension started	Your 2025 pension increase
23 April 2024 - 22 May 2024	1.56%
23 May 2024 - 22 June 2024	1.42%
23 June 2024 - 22 July 2024	1.28 %
23 July 2024 - 22 August 2024	1.13%
23 August 2024 - 22 September 2024	0.99 %
23 September 2024 - 22 October 2024	0.85%
23 October 2024 - 22 November 2024	0.71%
23 November 2024 - 22 December 2024	0.57%
23 December 2024 - 22 January 2025	0.43%
23 January 2025 - 22 February 2025	0.28%
23 February 2025 - 22 March 2025	0.14%
23 March 2025	No increase

Tax rates

From 6 April 2025 the personal allowance - the amount you need to earn before you pay income tax – remains £12,570.

Over the personal allowance, here are the rates of UK income tax that will apply in the 2025-26 tax year.

Basic tax rate	20% on income up to £37,700
Higher tax rate	40% on income from £37,701 to £125,140
Additional tax rate	45% on income above £125,140

Do you live mainly in Scotland?

If your main place of residence is in Scotland, you may have to pay Scottish income tax. The tax rates in Scotland are different from those set out above.

If HM Revenue & Customs think you are a Scottish taxpayer, they will write to let you know. They should be your first point of contact if you have any questions about your tax position.

Do you live mainly in Wales?

Since 6 April 2019 Wales has set its own rates of income tax. However, at present these are the same as those for English taxpayers, as shown above.

When we will pay your pension
Here are the pension payment dates for the next 12 months:
Thursday 17 April 2025
Tuesday 20 May 2025
Friday 20 June 2025
Friday 18 July 2025
Wednesday 20 August 2025
Friday 19 September 2025
Monday 20 October 2025
Thursday 20 November 2025
Friday 19 December 2025
Tuesday 20 January 2026
Friday 20 February 2026
Friday 20 March 2026

News

McCloud judgment

You may have heard in the press about the McCloud and Sargeant court cases. These ruled that changes to the judges' and firefighters' pension schemes in 2015 were discriminatory as protection was given to older scheme members but not to younger scheme members. The Government has agreed that this judgment will affect all public sector pension schemes, including the LGPS.

The Government has made changes to the LGPS to give younger members protection equal to that given to older members. We may need to re-calculate your pension if you left the scheme after 1 April 2014, but most members are unlikely to see an increase in their pension, and if they do, it is likely to be small.

However, please rest assured:

- **No one will be worse off** as a result of any changes;
- **You do not need to do anything** - we will contact any members that may be affected at the appropriate time.

Pension dashboards

Pensions dashboards are being developed across the UK to allow individuals to see all their unclaimed pensions, including their State Pension, in one place. There is still a lot of work to do, and you will hear more in the run up to dashboards being launched. Pensions already in payment are not being included, so you won't expect to see your Southwark pension on the dashboard.

Keep your records up to date

It is important that your Scheme records are up to date so we can continue to administer your pension efficiently.

There are certain times when you may need to update your details (see right). If any of these situations applies to you, please let Southwark Pension Services know as soon as possible:

- You can use the Member Self-Service Portal to update your address and bank details.
- If your Scheme records include an email address, you can send an email from this address to update your details.
- If you do not use email, or if you need to send us supporting evidence, please write to Southwark Pension Services at the address. (We will return all documents as soon as we have updated your records.)

The changes we need to know about	
Bank details changing	You can use the Member Self-Service Portal or confirm this in writing.
Moving home	
If you get married or enter into a civil partnership	Send us the relevant certificate as evidence (either the original version or a copy).
Changing your name	Send us the relevant certificate or deed poll as appropriate as evidence (either the original version or a copy).
Starting another job	Tell us as soon as possible in case this affects your Scheme pension.
If you are receiving a child's pension and you are between age 18 and 23, and you leave full-time education	If this happens, you will no longer be eligible to receive a Scheme pension. We will need to stop paying your pension as soon as possible. If we pay a pension to someone who is no longer eligible, we will need to recover this amount.
If you are currently receiving a Tier 3 ill-health pension and you have started another job	
If you appoint a lasting power of attorney for your property and financial affairs	Send us a copy of your registered Property and Financial Affairs Lasting Power of Attorney form, stamped by the Office of the Public Guardian. There is more about this on the Government website at www.gov.uk/power-of-attorney .

Protecting your personal details

The London Borough of Southwark, as the administering authority for the Scheme, is a Data Controller under the General Data Protection Regulation. This means we store, hold and manage your personal data in line with statutory requirements so we can administer your benefits. To enable us to carry out our statutory duty, we are required to share your information with certain bodies, but will only do so in limited circumstances. For more information about how we hold your data, who we share it with and what rights you have to request information from the Scheme, please visit www.southwark.gov.uk/council-and-democracy/pensions/how-we-use-your-data.

If you have any concerns, you may also contact our Data Protection Officer by emailing DPO@southwark.gov.uk.

P60

You will receive your P60 shortly. This will give you details of the pension we paid you during the 2024-25 tax year and the tax that was deducted during this period.



Meeting Name:	Local Pension Board
Date:	2 April 2025
Report title:	National Dashboard update
Ward(s) or groups affected:	Not applicable
Classification:	Open
Reason for lateness (if applicable):	Not applicable
From:	Head of Pensions Operations

Recommendation

1. The Local Pension Board (the **Board**) is asked to note this update and Pensions Regulator Checklist on the National Dashboard Programme.

Background Information

2. National Dashboards are being designed for individuals to access all their pensions information online, securely and in one place. Dashboards will provide clear information about an individual's workplace and private pension provision including the State Pension.
3. For the LGPS, connectivity to Dashboards is mandatory and will happen no later than 31 October 2025.
4. It is estimated that £31.1 billion is lying unclaimed, inactive, or in lost pension pots. On average, these lost pensions are worth between £9,470 and £13,620 amongst the aged 55 – 75 cohort.¹
5. A training exercise is being planned for Pension Fund staff and we believe this training may also be of interest to the Board (and PAP members).

KEY ISSUES FOR CONSIDERATION

Policy framework implications

6. There are no immediate implications arising from this report.

Community, equalities (including socio-economic) and health impacts Community impact statement

¹ Source – The Association of British Insurers (ABI) – 24 October 2024

7. There are no immediate implications arising from this report.

Equalities (including socio-economic) impact statement

8. There are no immediate implications arising from this report.

Health impact statement

9. There are no immediate implications arising from this report.

Climate change implications

10. There are no immediate implications arising from this report.

Resource implications

11. There are no immediate implications arising from this report.

Legal implications

12. There are no immediate implications arising from this report.

Financial implications

13. There are no immediate implications arising from this report.

Consultation

14. There are no immediate implications arising from this report.

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director, Resources	
Report Author	Barry Berkengoff, Head of Pensions Operations, Resources	
Version	Final	
Dated	26 March 2025	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Assistant chief executive, governance and assurance	No	N/a
Strategic director of resources	No	N/a
Cabinet Member	No	N/a
Date final report sent to Constitutional Team		

Preparation checklist	Relevant guidance	Your status comments	Complete
Start now: general tasks			
Establish pensions dashboards as a regular agenda item at board meetings	Overview – your role and legal duties	National Dashboard Programme is reported to the Board each quarter	✓
Check your ‘connect by’ date	When your scheme needs to connect with dashboards	No later than 31 October 2025	✓
Discuss pensions dashboards with your administrator and other relevant parties (such as software provider, actuary, legal adviser, employer, additional voluntary contribution provider) to develop and agree practical delivery plan according to your scheme-specific situation	Overview – working with advisers and providers	This task is ongoing	<input type="checkbox"/>
Explore your route to connection – either building own interface or using a (new or existing) third-party solution	Connecting to pensions dashboards – choosing a digital interface	Task complete Digital interface will be through Civica UPM software	✓
Decide when to connect your scheme, taking relevant guidance into consideration, and assessing the risks associated with your decision	When your scheme needs to connect with dashboards	This task is ongoing Dashboard connectivity and testing will be done over the next 6 months	<input type="checkbox"/>
If required, appoint new suppliers or revise contracts for existing suppliers	Connecting to pensions dashboards – choosing a digital interface	This task is ongoing	<input type="checkbox"/>

Preparation checklist	Relevant guidance	Your status comments	Complete
Start now: data tasks to match people with their pensions			
Understand what personal data you will receive from the digital architecture to help you match members to their pensions	Matching people with their pensions	This task is ongoing	<input type="checkbox"/>
Assess the quality and digital accessibility of personal data in your records	Matching people with their pensions	This task is ongoing	<input type="checkbox"/>
Consider which data items you will use to confirm matches are made or that there are possible matches	Matching people with their pensions	This task is ongoing but will use a combination of unique data items	<input type="checkbox"/>
Where your member personal data needs improving, put plans in place to deliver the improvements	Matching people with their pensions	This task is ongoing	<input type="checkbox"/>

Preparation checklist	Relevant guidance	Your status comments	Complete
Start now: data tasks to provide information to members			
Understand what data you will need to return to members and by when	Information to provide to members	This task is ingoing	<input type="checkbox"/>
Assess the quality and digital accessibility of the data that will be provided to your members	Information to provide to members	This task is ongoing	<input type="checkbox"/>
Consider how you will calculate the value data so that it is provided in line with dashboard requirements – calculated in line with ASTM1 or scheme rules, and sufficiently recent	Information to provide to members	This task is complete	✓
Where value data is not in line with dashboard requirements, put plans in place to ensure you can meet your dashboard duties	Information to provide to members	This task is complete	✓

Preparation checklist	Relevant guidance	Your status comments	Complete
Ongoing actions			
Stay up to date with developments to the regulations, Money and Pensions Service standards and relevant guidance	Stay in touch with developments	This task is ongoing	<input type="checkbox"/>
Check that your team and suppliers are on track to deliver	Overview – working with advisers and providers	This task is ongoing. Dashboard is a regular monthly agenda item with Civica Client Manager	<input type="checkbox"/>
Record key decisions and progress as per your existing governance processes	Ongoing connection and record-keeping requirements	This task is ongoing	<input type="checkbox"/>
Review and update your Data Protection Impact Assessment (DPIA) in line with your data improvement plan	Matching people with their pensions – preparing your data for matching	This task is ongoing	<input type="checkbox"/>

Meeting Name:	Local Pension Board
Date:	2 April 2025
Report title:	Pensions Advisory Panel Meeting Papers – 19 March 2025
Ward(s) or groups affected:	Not applicable
Classification	Open
Reason for lateness (if applicable):	Not applicable
From:	Chief Investment Officer

Recommendations

The LPB is asked to:

1. Note the key items covered at the 19 March 2025 Pensions Advisory Panel (PAP) meeting, which covered activity between 1 October and 31 December 2024.

Local Government Pension Scheme Pooling – Agenda Item 7

2. A verbal update was provided to PAP in relation to updates and developments on the LGPS Pooling consultation.
3. The timeline of mandated pooling by March 2026 is unlikely to change.
4. Fund officers are proactively working with London CIV on a transition plan and are also in discussions to ensure compliance with the regulations when applicable.
5. Fund officers will continue to monitor any developments on this and keep PAP and LPB members informed.

Asset Allocation and Net-Zero Strategy Update – Agenda Item 10

6. All allocations in the portfolio are within the maximum permitted by the Fund’s Strategic Asset Allocation (SAA). The key overweight positions are in Global Equity via Newton (+3.7%) and ESG Priority Funds (+2.8%). In contrast, the

key underweights are in Property (-4.3% excluding cash held by Nuveen) and Index-linked gilts (-3.0%).

7. The majority of the (minor) changes in over and underweight positions are linked to market movements, where there has been ongoing strong absolute performance in equity markets.
8. During the quarter, Nuveen purchased an additional unit at an existing holding in Sidcup. The total value of the transaction was £10.5m, of which £3m was funded by Nuveen's working capital. The balance was duly transferred, and the transaction was completed on 23 December 2024.
9. There was no rebalancing of equities during the quarter. However, Newton was advised that, due to the ongoing overweight to their target asset allocation and the favourable conditions for reducing the underweight to Index-Linked Gilts, rebalancing would take place in January 2025.
10. Given that drawdowns exceeded distributions for the quarter, and the additional cash required by Nuveen for the purchase (discussed above in #8) there were several LGIM liquidity and equity fund transactions (totalling £17.4m) to top up liquid cash balances.
11. As at 31 December 2024, it is estimated that 33% of the LBSPF was invested in UK assets.
12. Officers had update meetings with Darwin (leisure development fund), Invesco (residential property) and Newton (global equity). Officers also attended various regular update sessions with London CIV.

Investment Adviser Performance Updates – Agenda Item 11

13. Following are the key updates in relation to the Fund's performance during the quarter:
 - Fund value increased by £57.2m during the quarter to 31 December 2024, from £2,271.9m to £2,329.1m.
 - Fund return quarter to December 2024: 2.5% (benchmark 3.0%)
 - Fund return year to December 2024: 7.8% (benchmark 12.0%)
 - Fund return 3 years to December 2024: 2.8% p.a. (benchmark 5.8% p.a.)
 - Funding level increased slightly over the quarter, from 117% to 120%

Carbon Footprint Update – Agenda Item 13

14. Reduction in the Fund's carbon footprint between September 2017 and September 2024 was 84%.

Update on approach to Engagement and Voting – Agenda Item 14

15. An update on the key engagement and voting themes for the quarter together with an outline of the activity for the Fund's equity managers.

Community, Equalities (including socio-economic) and Health Impacts

16. Community Impact Statement

No immediate implications arising.

17. Equalities (including socio-economic) Impact Statement

No immediate implications arising

18. Health Impact Statement

No immediate implications arising

19. Climate Change Implications

No immediate implications arising

20. Resource Implications

No immediate implications arising

21. Legal Implications

No immediate implications arising

22. Financial Implications

No immediate implications arising

23. Consultation

No immediate implications arising

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director, Resources	
Report Author	Caroline Watson, Chief Investment Officer	
Version	Final version	
Dated	26 March 2025	
Key Decision?	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Democracy	N/A	N/A
Strategic Director of Resources	N/A	N/A
List other officers here		
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team		N/A

Meeting Name:	Local Pension Board
Date:	2 April 2025
Report title:	Pension Fund Statement of Accounts and Audit Findings Report 2023-24
Ward(s) or groups affected:	Not applicable
Classification:	Open
Reason for lateness (if applicable):	Not applicable
From:	Chief Investment Officer

RECOMMENDATIONS

1. Local Pension Board (LPB) members are asked to note the following:
 - The Fund statement of accounts, set out as Appendix 1.
 - The ISA 260 report as issued by KPMG, set out as Appendix 2.

Background

2. The Fund statement of accounts for 2023-24 was published on 30 June 2024, with the audit commencing in July 2024 and concluding in February 2025. The statement of accounts for 2023-24 can be accessed via the following link: [Statement of accounts | Southwark Council](#) and is also attached as Appendix 1.

Audit Opinion

3. KPMG has granted an unqualified opinion on the council and pension fund statement of accounts for 2023-24. The year-end report to audit, governance and standards committee (ISA 260 report) on the London Borough of Southwark Pension Fund is attached as Appendix 2.
4. The purpose of the above report is to detail their findings and matters arising during the course of auditing the financial statements.
5. Starting on page 20 of the report, the control deficiencies section sets out management recommendations regarding the financial statements. Following KPMG issuing the report, we have provided a management response to each recommendation as follows:

Recommendation	Management Response
<p>Approval of journals: segregation of duties</p> <p>The pension fund has a process where journal entries require authorisation prior to posting in SAP. Whilst all journal entries selected for testing were properly authorised, the system does not enforce authorisation.</p>	<p>The pension fund follows the system put in place for the posting of journals in SAP for all users (council and pension fund).</p> <p>This recommendation will be fully addressed via the implementation of an approval workflow in the replacement finance system.</p>
<p>Management review of valuation of direct property</p> <p>It is recommended that the Fund review and challenge the valuations provided by the valuer and that the process should be fully documented.</p>	<p>The Fund's direct property holdings are reviewed by officers on a quarterly basis. Movements in valuations are monitored quarterly and significant changes in valuation are investigated. The quarterly Knight Frank valuation report is reviewed to ascertain whether the reasons for valuation changes are documented, and, if required, further investigation is conducted via Nuveen,</p> <p>Arrangements will be made for the review of valuations to be formalised and documented during 2024-25.</p>
<p>Related Parties</p> <p>No formal process is followed by the Fund to identify related parties at year end.</p> <p>We recommend that the Fund considers putting in place a formal process to do this as part of its year end processes.</p>	<p>A review is conducted annually to identify potential related parties to the Fund. This considers the key areas and functions associated with the operation of the pension fund. It is not considered necessary to put a formal process in place.</p>
<p>Valuation of Investments</p> <p>No formal process is in place to update the investment valuations after preparing the draft financial statements.</p> <p>We recommend that the Fund considers obtaining asset valuations from fund managers again (at least after 6 months from the year-end) for assets recorded at lagged valuations in the first draft of the financial statements.</p>	<p>Investment valuations are provided by fund managers as soon as they are available. March valuations are received by the end of May. The required adjustments to the financial statements are identified and updated during the audit process.</p> <p>We will ensure the current process is formally documented.</p>

Recommendation	Management Response
<p>Membership Reconciliation</p> <p>No formal member reconciliation is performed noting changes in membership during the year. There is a risk that membership information be incorrect.</p> <p>We therefore recommend that the Fund considers performing an annual membership reconciliation to ensure the completeness and accuracy of member records, which should be checked against the underlying payroll records at the year end.</p>	<p>Following changes in admin software, progress has been made in producing membership reconciliation and movement reporting throughout the year.</p> <p>A reconciliation was in the process of being built during 2024-25 with a view that it goes live during March 2025 and in time for the next audit window. This will enable the reconciliation of active membership numbers by employee through each employer. We will also be able to reconcile the pensioner membership numbers to underlying council SAP/payroll files.</p>

6. Key adjustments to the accounts which were identified during the audit related to level 3 investment valuations. Between the accounts being prepared and the commencement of the audit, more up to date valuation information became available for level 3 investments held by the Fund. Details are set out on page 19 of the ISA 260 report. These were deemed to be an adjusting event and were therefore adjusted in the pension fund accounts.

7. The Fund officers will work on the above recommendations, as applicable, and incorporate them in the accounts for financial year 2024-25.

Policy framework implications

8. There are no immediate implications arising from this report.

Community impact statement

9. There are no immediate implications arising from this report.

Equalities (including socio-economic) impact statement

10. There are no immediate implications arising from this report.

Health impact statement

11. There are no immediate implications arising from this report.

Climate change implications

12. There are no immediate implications arising from this report.

Resource implications

13. There are no immediate implications arising from this report.

Legal implications

14. There are no immediate implications arising from this report.

Financial implications

15. There are no immediate implications arising from this report.

Consultation

16. There are no immediate implications arising from this report.

APPENDICES

Name	Title
Appendix 1	Pension Fund Statement of Accounts 2023-24
Appendix 2	ISA 260 Report – 2023-24

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources	
Report Author	Caroline Watson – Chief Investment Officer	
Version	Final	
Dated	25 March 2025	
Key Decision?	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Assistant chief executive, governance and assurance	N/A	N/A
Strategic Director of Resources	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team		



**PENSION FUND ACCOUNT
2023/24**

LONDON BOROUGH OF SOUTHWARK PENSION FUND STATEMENT OF ACCOUNTS

FUND ACCOUNT

	Note	2023-24		2022-23	
		£000	£000	£000	£000
Dealings with members, employers and others directly involved in the fund					
Contributions	7	(68,208)		(62,575)	
Transfers in from other pension funds	8	(5,489)		(3,285)	
Subtotal			(73,696)		(65,860)
Benefits	9	74,953		71,702	
Payments to and on account of leavers	10	6,001		4,322	
Subtotal			80,954		76,024
Net reduction/(addition) from dealing with members of the fund			7,257		10,164
Management expenses	11		7,807		11,785
Net additions including fund management expenses			15,064		21,949
Returns on investments					
Investment income	12	(23,663)		(18,488)	
Taxes on income	12	(489)		520	
Profit and losses on disposal of investments and changes in market value of investments	14a	(166,609)		79,281	
Net return on investments			(190,761)		61,313
Net (increase)/decrease in the net assets available for benefits during the year			(175,697)		83,262
Opening net assets of the scheme			(2,060,487)		(2,143,749)
Net assets of the scheme available to fund benefits as at 31 March			(2,236,183)		(2,060,487)

NET ASSETS STATEMENT

	Note	31 March 2024 £000	31 March 2023 £000
Long Term Investments		150	150
Investment assets	14	2,226,113	2,039,132
Total Net Investments		2,226,263	2,039,282
Current assets	21	18,337	28,849
Current liabilities	22	(8,417)	(7,644)
Net assets of the scheme available to fund benefits as at 31 March		2,236,183	2,060,487

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The estimated actuarial present value of promised retirement benefits is disclosed at note 19.

NOTES TO THE PENSION FUND STATEMENTS

1. DESCRIPTION OF THE FUND

The Pension Fund (the fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Southwark Council (the council).

The following description of the fund is a summary only. For more detail, reference should be made to the pension fund annual report and the underlying statutory powers underpinning the scheme, namely the Public Service Pension Act 2013 and the LGPS Regulations.

a) General

The scheme is governed by the Public Service Pension Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended).

It is a contributory defined benefit scheme that provides pensions and other benefits for former employees of the council and other admitted organisations.

The overall investment strategy is the responsibility of the council as the administering authority of the fund. This responsibility is delegated to the Strategic Director of Finance, taking account of the advice of the Pensions Advisory Panel. In line with the provisions of the Public Services Pensions Act 2013, the council has set up a Local Pension Board to assist the council in its role as scheme manager of the Pension Fund. The board meets on a quarterly basis and has its own terms of reference. Board members are independent of the Pensions Advisory Panel.

A list of participating organisations and their contributions for the financial year is included within the pension fund annual report. This is available from the council website.

b) Membership

Membership of LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside of the scheme.

Organisations participating in the fund include:

- Scheduled bodies, which are largely academies and similar bodies whose staff are automatically entitled to be members of the fund
- Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

A list of participating organisations and their contributions for the financial year is included within the pension fund annual report. This is available from the council website.

	31 March 2024	31 March 2023
Number of contributors to the fund	7,311	*7,647
Number of contributors and dependants receiving allowances	8,738	8,512
Number of contributors who have deferred their pensions	8,860	9,032
Total contributors	24,909	25,191

*Membership as at 31 March 2023 includes 155 members who were no longer active and identified as part of reconciliation process during the year. The prior year number has not been restated on the grounds that the error is not material

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employee contributions are matched by employers' contributions, which are set in accordance with the triennial actuarial funding valuations, the last being at 31 March 2022. For the 2023-24 financial year primary employer contribution rates ranged from 18.3% to 28.9% of pensionable pay, plus additional deficit payments where appropriate.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014 the scheme became a career average scheme.

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website.

	Service pre 1 April 2008	Service post 31 March 2008	From 1 April 2014
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary	Each year worked is accrued at 1/49 of pensionable pay for the year
Lump sum	Automatic lump sum of 3 x pension. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	

In August 2023, the pension fund made a self-declaration to the Pensions Regulator with regard to the late processing and issuance of member Annual Benefit Statements, due to issues with data migration to the new Pensions Administration system. The Pensions Regulator was informed of the plans to rectify and agreed no further action past these plans were required. These statements were then issued in tranches, with the final statements issued in January 2024.

2. BASIS OF PREPARATION

The Statement of Accounts summarises the fund's transactions for the 2023-24 financial year and its position at year-end as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting ("the Code") in the United Kingdom 2023-24, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1 April 2024. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet onto the Balance Sheet of lessees. Implementation of IFRS 16 is not expected to have a material impact on the pension fund because it does not hold any assets as a lessee.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in **Note 20**.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Local Government Pension Scheme (Administration) Regulations 2013 require administering authorities in England and Wales to prepare a Pension Fund Annual Report which must include the Fund Account and a Net Assets Statement with supporting notes prepared in accordance with proper practices. The Regulations summarise the Pension Code and the minimum disclosure requirements.

Fund Account – Revenue Recognition

a) Contributions income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay.
- ☐ Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Employer deficit funding contributions are accounted for on the due dates on which they are due under the schedule of contributions set by the actuary or on receipt if earlier than the due date.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Scheme Regulations. Individual transfers in or out are accounted for when received or paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their **additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in employee contributions**. Bulk group transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

- i) Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.
- ii) Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current investment asset.
- iii) Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current investment asset.
- iv) Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the fund is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.
- v) Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits and or losses during the year.

d) Fund account – benefits payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Management expenses

The Fund discloses its management expenses in line with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs (2016). All items of expenditure are charged to the fund on an accruals basis.

Administrative Expenses	All administrative expenses are accounted for on an accruals basis. All staff costs of pensions administration are charged direct to the fund. Management, accommodation and other overheads are apportioned to the fund in accordance with council policy.
Oversight and Governance	All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Management, accommodation and other overheads are apportioned to the fund in accordance with council policy.
Investment Management Expenses	All investment management expenses are accounted for on an accruals basis. Fees for the fund managers and custodian are agreed in the respective mandates governing their appointments and are based broadly on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

f) Fund account – taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Net Asset Statement

g) Financial assets

Investment assets are included in the net assets statement on a fair value or amortised cost basis as at the reporting date. Cash held by fund managers and the funds own cash are at amortised cost.

A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the fund. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13. Details of the basis of valuation and disclosure levels within the fair value hierarchy are provided at note 16. Foreign currency transactions have been brought into the accounts at the exchange rate that was in force when the transaction took place.

h) Freehold and leasehold property

The valuation of direct property managed by Nuveen is carried out by Knight Frank LLP. The valuer is RICS qualified and the valuation took place on 31 March 2024. All properties have been included in the accounts at fair value as at 31 March each year.

i) Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

j) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits with financial institutions that are repayable on demand without penalty. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

l) Loans and Receivables

Financial assets classed as amortised cost are carried in the net asset statement at the value of outstanding principal receivable at the year-end date plus accrued interest.

m) Financial liabilities

The fund recognises financial liabilities at fair value or amortised cost as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

n) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under IAS 26, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the accounts (note 20).

o) Additional voluntary contributions

The fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. AVC assets are not included in the accounts but are disclosed as a note (note 23).

p) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events. A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise when it is not possible at the Balance Sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies in note 3 the council has had to make critical judgements about complex transactions and those involving uncertainty about future events. During 2023-24 critical judgements were made regarding directly held property, details of which are set out below.

Directly Held Property

The fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants with rental periods between six months and five years. The fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by the Code, therefore the properties are retained on the net asset statement at fair value. Rental income is recognised in the fund account on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg if there is a premium paid at the inception of the lease).

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However, actual outcomes could be different from the assumptions and estimates made. The items in the net assets statement for which there is a significant risk of material adjustment the following year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of retirement benefits	This applies to the estimation of the net liability to pay pensions, which depends upon a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Aon is engaged to provide the Fund with expert advice about the assumptions.	The approximate impact of changing the key assumptions on the present value of retirement benefits are: - an 0.1% change in the discount rate would be +/- £44m - an 0.1% change in the rate at which salaries are projected to increase would be +/- £42m - an 0.1% change in the rate of pension increase would be +/- £40m - a one year change in mortality assumptions would be +/- £40m
Freehold and leasehold property and pooled property	Valuation techniques are used to determine the carrying amount of directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, but where this is not possible, management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property.	The effect of variations in the factors supporting the valuation, estimated to be 6.6% would be an increase or decrease in the value of directly held property of £14.4m, on a fair value of £219m.
Property pooled funds	Valuation techniques are used to determine the carrying amount of pooled property funds. Where possible these valuation techniques are based on observable data, but where this is not possible, management uses the best available data.	The effect of variations in the factors supporting the valuation, estimated to be 6.6% would be an increase or decrease in the value of property pooled funds of £8.8m, on a fair value of £133m.

6. EVENTS AFTER THE REPORTING DATE

There have been no material adjusting events after the reporting date.

7. CONTRIBUTIONS RECEIVABLE

By category

	2023-24 £000	2022-23 £000
Employee's Contributions	(16,788)	(15,391)
Employer's Contributions		
Normal	(48,554)	(39,830)
Deficit funding	(1,714)	(5,964)
Early retirement strain	(1,152)	(1,391)
Total contributions from employers	(51,420)	(47,185)
Total	(68,208)	(62,575)

By type of employer

	2023-24			2022-23		
	Employees £000	Employers £000	Total £000	Employees £000	Employers £000	Total £000
Southwark Council	(14,847)	(46,398)	(61,245)	(13,653)	(42,216)	(55,869)
Admitted Bodies	(248)	(736)	(984)	(252)	(799)	(1,051)
Scheduled Bodies	(1,693)	(4,286)	(5,979)	(1,486)	(4,169)	(5,656)
Total	(16,788)	(51,420)	(68,208)	(15,391)	(47,185)	(62,575)

8. TRANSFERS IN FROM OTHER PENSION FUNDS

Transfers in from other pension funds were as follows:

	2023-24 £000	2022-23 £000
Individual transfers	(5,489)	(3,285)
Total	(5,489)	(3,285)

9. BENEFITS PAYABLE

The table below shows the types of benefit payable by category:

	2023-24 £000	2022-23 £000
Pensions	61,626	55,560
Commutation of pensions and lump sum retirement benefits	12,063	13,596
Lump sums - death benefits	1,264	2,546
Total	74,953	71,702

The table below shows the total benefits payable grouped by entities:

	2023-24 £000	2022-23 £000
Southwark Council	70,492	66,862
Admitted bodies	2,872	3,195
Scheduled bodies	1,589	1,645
Total	74,953	71,702

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2023-24 £000	2022-23 £000
Refund of contributions	90	132
Individual transfers out to other schemes	5,911	4,190
Total	6,001	4,322

11. MANAGEMENT EXPENSES

	2023-24 £000	2022-23 £000
Administrative costs	3,511	3,580
Investment and management expenses	4,051	7,715
Oversight and governance costs	245	490
Total	7,807	11,785

The 2023-24 fee for external audit services for the pension fund is £75K (£21k in 2022-23).

The Pension Fund incurred expenses of £0.8m in relation to services provided by the council during 2023-24 (£0.9m during 2022-23).

12. INVESTMENT INCOME

	2023-24 £000	2022-23 £000
Dividends from equities	(2,689)	(6,515)
Pooled funds	(10,800)	(2,343)
Net rental income from properties	(8,302)	(8,582)
Interest on cash deposits	-	-
Interest on cash deposits	(14)	-
Total before taxes	(23,663)	(18,488)
Taxes on income	(489)	520
Total after taxes	(24,152)	(17,968)

12a. PROPERTY INCOME

	2023-24 £000	2022-23 £000
Rental Income	(10,709)	(10,144)
Direct operating expenses	2,408	1,562
Net rent from properties	(8,302)	(8,582)

13a. EXTERNAL AUDIT COSTS

	2023-24 £000	2022-23 £000
Payable in respect of external audit	75	49

14. INVESTMENT ASSETS

	31 March 2024 £000	31 March 2023 £000
Long Term Investments		
Equities	150	150
Total	150	150
Investment Assets		
Equities	313,576	267,242
Pooled Funds		
Fixed Income	0	133,397
Equities	94,974	429,580
Diversified Growth	0	130,023
Property	129,685	92,967
Infrastructure	218,256	211,991
Private Equity	56,471	50,363
Multi Asset Credit	205,828	-
Other	18,304	42,895
Unitised Insurance Policy		
Fixed Income	153,080	152,894
Equities	815,427	331,929
Property	218,775	194,310
Other investment balances	1,738	1,541
Total Investment Assets	2,226,113	2,039,132
Net Investments	2,226,263	2,039,282

14a. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on the sale of investments during the year. The table below shows the movement in investment assets and the change in market value for the year:

	Opening balance	Purchases	Sales	Change in market value	31 March 2024
	£000	£000	£000	£000	£000
Equities	267,242	313,964	(310,348)	42,717	313,576
*Pooled funds	619,206	228,914	(269,783)	(2,806)	575,530
Pooled property funds	89,938	50,036	(349)	(9,939)	129,685
*Unitised insurance policy	820,971	761,162	(761,166)	147,539	968,505
Property	194,310	35,960	1,677	(12,502)	218,775
*Liquidity Funds/Money Market Funds	45,924	78,042	(107,262)	1,600	18,304
	2,037,590	1,468,078	(1,447,232)	166,609	2,224,375
Other investment balances	1,542				1,738
Total	2,039,132			166,609	2,226,113

**Reclassification of pooled funds into unitised insurance policy funds and Liquidity/Money Market Funds*

	Opening balance	Purchase	Sales	Change in market value	31 March 2023
	£000	£000	£000	£000	£000
Equities	256,900	65,969	(59,316)	3,689	267,242
Pooled funds	1,019,131	123,217	(148,586)	93,457	1,087,219
Pooled property funds	94,001	2,248	(557)	(2,726)	92,967
Unitised insurance policy	515,348	661,389	(661,392)	(119,492)	395,852
Property	230,600	7,511	(9,605)	(34,195)	194,310
	2,115,980	860,334	(879,456)	(59,267)	2,037,590
Other investment balances	4,561			(20,073)	1,542
Total	2,120,541			(79,340)	2,039,132

The Pension Fund does not hold derivatives as a main asset class, but they are used by Newton Investment Management, the council's active equity fund manager, to hedge the currency risk of holding global equities. The currency forward contracts are traded over the counter.

The valuation of direct property managed by Nuveen is carried out by Knight Frank LLP. The valuer is RICS qualified and the valuation took place on 31 March 2024. All properties have been valued at market value.

The investment strategy statement can be accessed on the council's website.

14b. INVESTMENTS ANALYSED BY FUND MANAGER

The market value of assets managed by the investment managers at the balance sheet date 31 March 2024 is set out in the table below.

	31 March 2024		31 March 2023	
	£000	%	£000	%
BlackRock	526,168	24%	747,969	37%
Blackstone	56,471	3%	50,363	2%
Brockton Capital	8,528	0%	6,839	0%
BTG Pactual	36,665	2%	35,743	2%
Comgest	94,974	4%	93,431	5%
Darwin	47,753	2%	21,620	1%
Frogmore	5,062	0%	6,799	0%
Glennmont	30,878	1%	26,001	1%
Invesco	46,412	2%	33,068	2%
LCIV CQS	100,000	4%	-	0%
Legal and General Investment Managers	467,839	21%	395,853	19%
M&G	42,629	2%	43,231	2%
Newton Investment Management	313,561	14%	267,226	13%
Nuveen	224,345	10%	197,339	10%
Robeco	105,828	5%	-	0%
Temporis	102,532	5%	112,108	6%
Legal and General Investment Managers SLF	5,117	0%	-	0%
Northern Trust MMF	4	0%	-	0%
Blackrock MMF	9,608	0%	-	0%
Total	2,224,375	100%	2,037,590	100%

The following investments represent more than 5% of investment assets at 31 March 2024.

Name of investment	Fund manager	31 March 2024	% of investment assets	31 March 2023	% of investment assets
		£000	%	£000	%
World Low Carbon Target	BlackRock	407,147	18%	336,149	16%
Global Equities	Newton	313,561	14%	267,226	13%
Direct Property	Nuveen	218,775	10%	197,339	10%
Low Carbon Transition	Legal and General	408,280	18%	166,572	8%
Multi Asset Credit	LCIV CQS	100,000	4%	-	0%
Multi Asset Credit	Robeco	105,828	5%	-	0%
Low Carbon Target	Legal and General	-	0%	165,357	8%
Diversified Growth Fund	BlackRock	-	0%	130,023	6%
Absolute Return Bond Fund	BlackRock	-	0%	133,397	7%

14c. PROPERTY HOLDINGS

		31 March 2024	31 March 2023
		£000	£000
Opening balance		194,310	230,600
Additions:			
	Purchases	3,512	7,734
	Subsequent expenditure	32,448	2,661
Disposals		(2,276)	(19,513)
Net increase in market value		(9,219)	(27,172)
Closing Balance		218,775	194,310

15. ANALYSIS OF DERIVATIVES

The fund does not currently have exposure to derivatives

16. FAIR VALUE HIERARCHY

The valuation of financial instruments has been classified into three levels in accordance with IFRS 13, according to the quality and reliability of information used to determine fair values.

Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3 are those where at least one input that could have a significant effect on the instruments valuation is not based on observable market data.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Quoted equities	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled investments – unit trusts	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	Net assets value (NAV) based pricing set on a forward pricing basis	Not required
Pooled Investments - property funds	Level 3	Closing single price at end of accounting period	NAV based pricing valued in accordance with RICS red book valuation standards and compliant with FRS102	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
Pooled Investments - Sustainable Infrastructure	Level 3	Based upon Fund's share of net assets in the limited partnership using latest valuations updated for cash flows	Purchase price at acquisition for newer or non-operational assets, estimated cash flows, government price support	Market prices and cash yields, government policies on energy subsidies, pace of shift to renewable and clean energy, discount rates
Pooled investments - Private Equity	Level 3	Based upon Fund's share of net assets in the limited partnership using latest valuations updated for cash flows	NAV based pricing set on a forward pricing basis. Cashflow transactions, i.e. distributions of capital contrac	Material events between date of financial statements provided and the pension fund's own reporting date. Differences between audited and unaudited accounts
Unitised Insurance Policies	Level 2	Closing bid price where bid and offer prices are published	Net assets value (NAV) based pricing set on a forward pricing basis	Not required
		Closing single price where single price published		
Freehold, leasehold properties	Level 3	Valued at fair value at the year-end by independent valuers. Valued in accordance with RICS red book valuation standards	Existing lease terms and rentals; Independent market research; Nature of tenancies; Covenant strength for existing tenants; Assumed vacancy levels; Estimated rental growth; Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices

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The following table shows the fair value valuation hierarchy of fund assets and liabilities.

Value as at 31 March 2024	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss				
Equities	313,576	150	-	313,726
Pooled Funds				
Fixed Income	-	-	-	-
Equities	-	94,974	-	94,974
Multi Asset Credits	-	205,828	-	205,828
Property	-	-	129,685	129,685
Infrastructure	-	-	218,256	218,256
Private Equity	-	-	56,471	56,471
Other	-	18,304	-	18,304
Unitised Insurance Policy				
Fixed Income	-	153,080	-	153,080
Equities	-	815,427	-	815,427
Total Financial Assets	313,576	1,287,762	404,412	2,005,750
Non-financial assets at fair value through profit and loss				
Property	-	-	218,775	218,775
Grand Total	313,576	1,287,762	623,187	2,224,525
Value as at 31 March 2023	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss				
Equities	267,242	150	-	267,392
Pooled Funds				
Fixed Income	-	133,397	-	133,397
Equities	-	429,580	-	429,580
Diversified Growth	-	130,023	-	130,023
Property	-	-	92,967	92,967
Infrastructure	-	21,620	190,370	211,991
Private Equity	-	-	50,363	50,363
Other	-	42,895	-	42,895
Unitised Insurance Policy				
Fixed Income	-	152,894	-	152,894
Equities	-	331,929	-	331,929
Total Financial Assets	267,242	1,242,488	333,700	1,843,430
Non-financial assets at fair value through profit and loss				
Property	-	-	194,310	194,310
Total	267,242	1,242,488	528,010	2,037,740

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The following table shows the reconciliation of fair value measurements within level 3.

	Opening balance £000	Purchase £000	Sales £000	Realised gain/(loss) £000	Unrealised gain/(loss) £000	31 March 2024 £000
Financial assets at fair value through profit and loss						
Pooled Funds						
Property	93,636	50,036	(349)	(312)	(9,750)	133,260
Infrastructure	190,370	18,204	(1,013)	213	10,482	218,256
Private Equity	50,363	8,921	-	-	(2,813)	56,471
Non-financial assets at fair value through profit and loss						
Property	194,310	35,960	1,677	-	(12,502)	219,445
Total	528,679	113,121	315	(99)	(14,583)	627,432

	Opening balance £000	Purchase £000	Sales £000	Realised gain/(loss) £000	Unrealised gain/(loss) £000	31 March 2023 £000
Financial assets at fair value through profit and loss						
Pooled Funds						
Property	94,001	2,248	(557)	(194)	(2,532)	92,967
Infrastructure	113,281	42,647	(2,684)	519	36,608	190,370
Private Equity	38,475	13,532	(6,431)	87	4,700	50,363
Non-financial assets at fair value through profit and loss						
Property	230,600	7,511	(9,605)	(11,910)	(22,286)	194,310
Total	476,357	65,938	(19,278)	(11,498)	16,490	528,010

Sensitivity of assets valued at level 3

Having analysed historical data, information received from valuers and the valuation techniques of fund managers, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges:

Value as at 31 March 2024	Assessed valuation range	Valuation as at 31 March £000	Value on increase £000	Value on decrease £000
Pooled Funds				
Property	6.6%	133,260	142,055	124,465
Infrastructure	8.1%	218,256	235,935	200,577
Private Equity	11.8%	56,471	63,135	49,807
Property	6.6%	219,445	233,928	204,962
Total		627,432	675,053	579,811

17. FINANCIAL INSTRUMENTS

The following table shows the classification of the Pension Fund's financial instruments:

	31 March 2024 £000	31 March 2023 £000
Financial assets		
Fair value through profit and loss		
Equities	313,726	267,392
Pooled Investments	593,833	998,248
Pooled Property Investments	129,685	92,967
Unitised Insurance Policy	968,506	484,823
Amortised cost		
Cash	3,105	26,432
Other Investment Balances	1,738	1,541
Debtors	918	3,371
Total	2,011,510	1,874,774
Financial liabilities		
Amortised cost		
Creditors	(5,656)	(3,471)
Net Total	2,005,854	1,871,303

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The Pension Fund's primary long-term risk is that the fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the Strategic Director of Finance advised by the Pensions Advisory Panel. Risk management policies are established to identify and analyse the risks faced by the pension fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the pension fund and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Price risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share price risk. This arises from investments held by the fund for which the future price is uncertain. All security investments present a risk of a loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the council to ensure it is within limits specified in the fund investment strategy.

Potential price changes are determined based on historical data and volatility of asset class returns. For example, 'riskier' assets such as equities will display greater potential volatility than bonds. The following table demonstrates the change in the net assets available to pay benefits, if the market price had increased or decreased. In consultation with the fund's investment advisers, the pension fund has determined that the following movements in market price risk are reasonably possible:

2023-24 - asset type	31 March £000	Change %	Value on £000	Value on £000
Fixed Income	153,080	5.4%	161,346	144,813
Equities	1,224,127	7.9%	1,320,833	1,127,421
Multi Asset Credit	205,828	5.9%	217,972	193,684
Property	129,685	6.6%	138,244	121,125
Infrastructure	218,256	8.1%	235,935	200,577
Private Equity	56,471	11.8%	63,135	49,807
Other	18,304	3.9%	19,018	17,590
Total	2,005,750		2,156,482	1,855,019

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2022-23 - asset type	31 March £000	Change %	Value on £000	Value on £000
Fixed Income	286,291	5.1%	300,896	271,686
Equities	1,028,901	12.9%	1,161,804	895,998
Diversified Growth	130,023	6.1%	137,940	122,106
Property	92,967	5.9%	98,471	87,463
Infrastructure	211,990	4.6%	221,795	202,185
Private Equity	50,363	4.6%	52,692	48,034
Other	42,895	4.6%	44,879	40,911
Total	1,843,430		2,018,477	1,668,383

The potential changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisers' most recent review. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the fund's investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as shown in the table above.

Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. Fixed interest securities and cash are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The fund's interest rate risk is routinely monitored by the pension fund and its investment advisers in accordance with the fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

Fixed interest securities are exposed to interest rate risk. The table below demonstrates the change in value of these assets had the interest rate increased or decreased by 1%:

Assets exposed to interest rate risks	Market value £000	Value on 1% £000	Value on 1% £000
As at 31 March 2024	153,080	154,610	151,549
As at 31 March 2023	125,746	127,003	124,489

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling. A strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

The fund's currency risk is routinely monitored by the pension fund and its investment advisers in accordance with the fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Overseas equities, fixed interest securities and futures, cash in foreign currencies and some elements of pooled investment vehicles are exposed to currency risk. The following table demonstrates the change in value of assets exposed to currency risk had there been a 5.6% strengthening or weakening of the pound against foreign currencies.

Assets exposed to currency risk	Value £000	Change %	Value on £000	Value on £000
As at 31 March 2024	429,167	5.6%	453,200	405,134
As at 31 March 2023	372,764	6.3%	396,248	349,280

Credit risk

This is the risk the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. For example a stock may lose value or a dividend due may not be paid. The fund's entire investment portfolio is therefore exposed to some form of credit risk. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

The Fund has set out a series of restrictions in each investment manager's agreement. These restrictions are intended to limit the risks from each individual investment and prevent unsuitable investment activity. The Fund also employs a global custodian to ensure that all transactions are settled in a timely manner.

Liquidity risk

This is the risk that the Pension Fund may not have the funds available to meet payments as they fall due. Historically the Fund has been cash positive (i.e. contributions received have been greater than benefits paid out). However, in recent years this has reversed with benefits paid now surpassing contributions received. The reduction in active members and a resulting change in the membership profile have increased the liquidity risk of the Fund going forward.

The Fund currently has two bank accounts. One is held by the global custodian and holds cash relating to investment activities, the other is the Pension Fund bank account, which holds the cash relating to member activities.

There is a strategy in place to forecast all income and expenditure for the Fund to ensure that sufficient funds will be made available to meet short-term commitments. In the event that there are insufficient available assets to meet liabilities when they fall due, the Fund would be able to redeem investment assets and recall cash resources from investment managers at short notice to meet this requirement.

19. FUNDING ARRANGEMENTS

Statement of the Actuary for the year ended 31 March 2024

Introduction

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013 (the 'LGPS Regulations').

The LGPS Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Southwark Pension Fund (the 'Fund') is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2022 by Aon, in accordance with Regulation 62 of the LGPS Regulations.

Actuarial Position

1. The valuation as at 31 March 2022 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2022 (of £2,125.4M) covering 109% of the liabilities.
2. The valuation also assessed each individual employer's (or group of employers') position separately. Contribution requirements were determined based on the principles in the Fund's Funding Strategy Statement and are set out in Aon's report dated 31 March 2023 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (including ill-health early retirements) will be made to the Fund by the employers.

Total contributions payable by all employers over the three years to 31 March 2026 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£m)
2023	21.1	-
2024	21.2	-
2025	21.2	-

- 3 The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution changes and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances. This included an agreement that where employers are in surplus, this has only led to an adjustment in contributions to the extent that this surplus is in excess of 10% of the value of that employer's liabilities (i.e. to the extent that the employer's funding level is greater than 110%).
- 4 The valuation was carried out using the projected unit actuarial method for most employers, allowing for future increases in pensionable pay. The main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount Rate	4.05% p.a.
Rate of pay increases	3.8% p.a.
Rate of increase to pension accounts*	2.3% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)*	2.3% p.a.

* In addition, a 10% uplift was applied to the past service liabilities to make allowance for short-term inflation above the long-term assumption.

The assets were valued at market value.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2023/24

- 5 The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S3 'Heavy' mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic Horizons™ longevity model, and included an allowance for future improvements based on the 2021 Continuous Mortality Investigation Projections Model, with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	21.5	24.1
Future pensioners aged 45 at the valuation date	22.8	25.6

- 6 The valuation results summarised in paragraph 1 above are based on the financial position and market levels at the valuation date, 31 March 2022. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Actuary, in conjunction with the Administering Authority, monitors the funding position on a regular basis.

- 7 The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2023 to 31 March 2026 were signed on 31 March 2023. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2025 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

- 8 This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2022. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon does not accept any responsibility or liability to any party other than our client, the London Borough of Southwark, the Administering Authority of the Fund, in respect of this Statement.

- 9 The report on the actuarial valuation as at 31 March 2022 is available on the Fund's website at the following address: <https://southwarkpensions.co.uk/library/actuarial-valuation-report>

- 10 The valuation report refers to Aon's approach to some benefit uncertainties in the 2022 valuation which have since been resolved:
- The Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023 were laid on 8 September 2023, and came into effect from 1 October 2023. These regulations set out the McCloud remedy for the LGPS in England and Wales. The remedy is consistent with Aon's expectations and the approximate allowance made for McCloud liabilities in the 2022 valuation.
 - The Judicial Review relating to the 2016 cost management valuation has been concluded and the outcome is that there are no resulting additional costs falling on the Fund (and ultimately employers). The 2020 Treasury cost management valuation has been completed by the Government Actuary's Department. The England & Wales Scheme Advisory Board announced (on 19 April 2024) that it will shortly be publishing the final report of the separate 2022 scheme cost assessment that it is required to undertake under Regulation 116 of the LGPS Regulations 2013, in which different actuarial assumptions are used. However, the Board has already seen the initial results and agreed that it is "not minded to recommend to the Secretary of State any changes to LGPS benefits through that process". This outcome (for both the 2016 and 2020 processes) is in line with the approach taken in the 2022 valuation.

Other benefit uncertainties remain as set out in the 2022 valuation report.

- 11 The Government Actuary's Department carries out a review of all LGPS pension fund valuations in England and Wales under Section 13 of the Public Service Pensions Act, to ensure they are following the Regulations and to assess whether the valuations are being carried out in a broadly consistent way. The review also seeks to ensure employer contributions are set at a level to ensure solvency and long-term cost efficiency. The review for the 2022 valuations has not yet been completed and the final report is not yet available.

However all LGPS fund valuation reports and the LGPS Scheme Advisory Board's (SAB's) summary of the 2022 valuations can be found on the SAB's website at the following link: <https://www.lgpsboard.org/index.php/fund-valuations-2022>

20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

IAS 26 (retirement benefit plans) requires the 'actuarial present value of promised retirement benefits' to be disclosed in the Pension Fund Accounts using the most recent actuarial valuation. The fund was last valued as at 31 March 2022.

	31 March 2024 £m	31 March 2023 £m
Fair value of net assets	2,239	2,064
Actuarial present value of promised retirement benefits	(1,901)	(1,911)
Surplus/(deficit) in the fund as measured for IAS 26	338	153

21. CURRENT ASSETS

The current assets of the fund are analysed as follows:

	31 March 2024 £000	31 March 2023 £000
Contributions due - employees	855	191
Contributions due - employers	1,320	2,811
Sundry debtors	918	3,371
Prepayments	11	6
Total	3,105	6,379
Cash balances	15,232	22,470
Total	18,337	28,849

22. CURRENT LIABILITIES

The current liabilities of the fund are analysed as follows:

	31 March 2024 £000	31 March 2023 £000
Benefits	(1,369)	(2,347)
Professional fees	(280)	(151)
Investment fees	(5,376)	(3,320)
Taxes	(797)	(913)
Other	(594)	(913)
Total	(8,417)	(7,644)

23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Fund Manager	Contributions Paid 2023-24 £000	Market Value 31 March 2024 £000	Contributions Paid 2022-23 £000	Market Value 31 March 2023 £000
Aegon UK	245	3,471	249	3,644
Total	245	3,471	249	3,644

24. AGENCY SERVICES

The council has not acted as an agent for any employers of the fund in 2023-24.

25. RELATED PARTY TRANSACTIONS

Through its administration of the fund, the fund has a related party interest with the council. The council charged the fund £0.9m in 2023-24 (£0.9m in 2022-23). Management of the Pension Fund is the responsibility of the council's Strategic Director of Finance and Governance and a small proportion of the costs of this post were apportioned to the fund in 2023-24 and 2022-23.

No officers' remuneration is paid directly by the fund; costs are instead recovered as part of the costs disclosed in note 11.

The Pension Advisory Panel (PAP) offers advice to the Strategic Director of Finance and Governance. Five members of the PAP are currently active members of the pension fund whilst one member is in receipt of pension benefits. Members of the PAP are required to make a declaration at each meeting, which is then recorded in the minutes and are available on the council website.

The council is also the single largest employer of members of the Pension Fund and contributed £46.4m to the fund in 2023-24 (£42.2m in 2022-23).

25A. KEY MANAGEMENT PERSONNEL

Job Title	Increase in IAS 19 Liability to 31st March 2024 £000	Increase in IAS 19 Liability to 31st March 2023 £000
Strategic Director of Finance (new)	22	-
Strategic Director of Finance and Governance (former)	3	4
Departmental Finance Manager - Corporate	-	2
Senior Finance Manager - Treasury and Pensions	9	10
Pensions Manager	4	13
Total	38	29

26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2024 totalled £102.5m (31 March 2023: £86.3m).

These commitments relate to outstanding call payments due on property and infrastructure funds. The amounts 'called' by these funds are irregular in both size and timing over a number of years from the date of each original commitment.

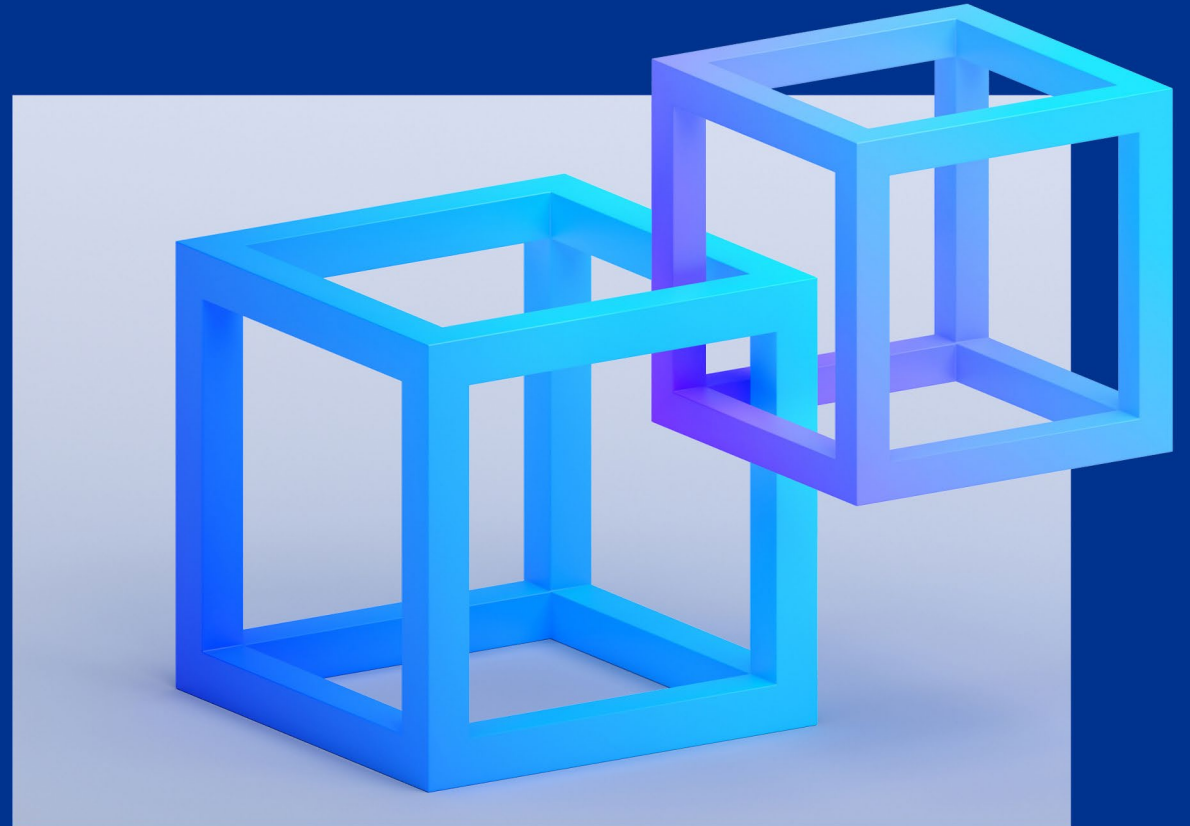




London Borough of Southwark Pension Fund

Year End Report to Audit, Governance &
Standards Committee

Report for the year ended 31 March 2024



Contents



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Our audit findings	05
Significant risks and other audit risks	06
Audit risks and our audit approach	07
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Introduction

To the Audit, Governance & Standards Committee of London Borough of Southwark Pension Fund

We are pleased to have the opportunity to share this report with you on 3 February 2025 and to discuss the results of our audit of the financial statements of London Borough of Southwark Pension Fund, as at and for the year ended 31 March 2024.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions.

This report should be read in conjunction with our audit plan and strategy report, presented on 5 September 2024.

We will be pleased to further elaborate on the matters covered in this report when we meet.

Status of our Audit

Subject to the Administering Authority's approval, we expect to issue an unmodified Auditor's Report.

There have been no significant changes to our audit plan and strategy.

We draw your attention to the important notice on page 4 of this report, which explains:

- The purpose of this report
- Limitations on work performed
- Restrictions on distribution of this report

Yours sincerely,



Fleur Nieboer

Partner KPMG LLP

10 February 2025

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality management; and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.



Important notice



This report is presented under the terms of our audit under Public Sector Audit Appointments (PSAA) contract.

Circulation of this report is restricted.

The content of this report is based solely on the procedures necessary for our audit.

Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of London Borough of Southwark Pension Fund (the 'Fund'), prepared in accordance with International Financial Reporting Standards ('IFRSs') as adapted Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, as at and for the year ended 31 March 2024.

This Report has been prepared for the Administering Authority's Audit, Governance and Standard Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you by written communication.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Fund's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit

Our audit is now complete.

Restrictions on distribution

The report is provided on the basis that it is only for the information of the Audit, Governance and Standard Committee of the Administering Authority; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

Our audit findings

Significant audit risks		Page 07 - 09
Significant audit risks	Our findings	
Management override of controls	No issues identified	
Valuation of directly held property	We have utilised KPMG Real Estate experts as part of our work in this area. The overall valuation is considered as balance.	
Key accounting estimates		Page 09 - 12
Valuation of directly held property	We assessed the assumptions underpinning the valuation as balance.	
Valuation of level 3 pooled investment vehicles	We agreed the value to investment manager confirmations and assessed the NAV statements as reliable.	
Valuation of level 1 and 2 pooled investment vehicles and segregated investments	We verified the pricing at the year end to an independent pricing source (where available). For ULIPs, we verified from fund manager the willingness to transacts at the price obtained.	

Uncorrected Audit Misstatements		Page 18
Understatement/ (overstatement)	£m	%
Net assets	nil	nil

Number of Control deficiencies		Page 20 - 22
Understatement/ (overstatement)		
Significant control deficiencies	1	
Other control deficiencies	4	

Expenditure recognition

Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered.

Expenditure in a pension scheme equates to payments to members and management expenses. There are no subjective issues concerning when expenses need to be recognised. Amounts involved cannot easily be manipulated through accounting policies, timing or other policies. There is little incentive for the Fund to manipulate the financial reporting of expenses. Therefore, in the absence of specific fraud risk factors, there is no risk of fraudulent financial reporting arising from the manipulation of expenditure recognition for the Fund.

Significant risks and Other audit risks



We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.

Our risk assessment draws upon our knowledge of the Fund, the industry and the wider economic environment in which the Fund operates.

We also use our regular meetings with senior management to update our understanding.

Significant risks

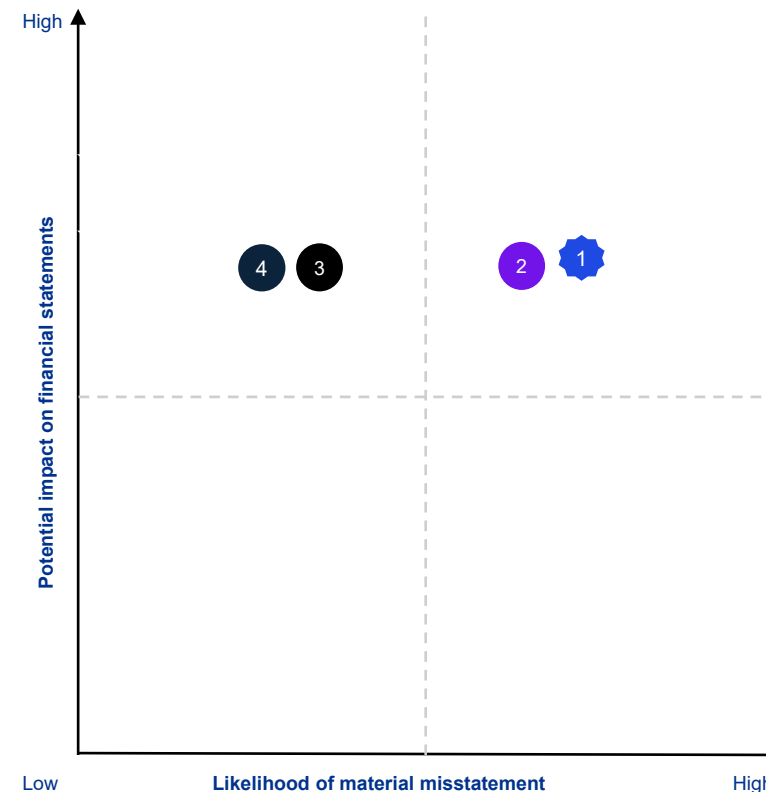
1. Management override of controls
2. An inappropriate amount is estimated for the value of directly held property

Other audit risks :

3. Valuation of other Level 3 investments is misstated
4. Valuation of Level 1 and 2 investments is misstated

We have split the risk related to valuation of investments between other level 3 and level 2 investments, mainly due to the different nature of these assets.

Fair values for level 3 assets would require at least one input whose valuation is based on unobservable market data whereas, level 2 assets are those instruments which are traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.



KEY

- 1 Presumed significant risk
- 2 Significant financial statement audit risks
- 2 Other audit risks

See the following slides for the cross-referenced risks identified on this slide.

Audit risks and our audit approach



1 Management override of controls^(a)

Fraud risk related to unpredictable way management override of controls may occur



Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.

Note: (a) Significant risk that professional standards require us to assess in all cases.



Our response

Our audit methodology incorporates the risk of management override as a default significant risk. We have:

- Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluated the selection and application of accounting policies.
- In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments.
- Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the entities normal course of business or are otherwise unusual.
- Analyse all journals through the year and focus our testing on those with a higher risk, such as material journals posted during the final close down period.

Audit risks and our audit approach (cont.)



1 Management override of controls^(a)

Fraud risk related to unpredictable way management override of controls may occur



Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.

Note: (a) Significant risk that professional standards require us to assess in all cases.



Our findings

- We have not identified any indication of management override in the year leading to material misstatement or significant concern.
- We have reviewed the accounting records and did not identify any significant unusual transactions.
- We have also reviewed management estimates, and the journal entries posted in the period and around the year end. We did not identify any areas of bias in key judgements made by management.
- We performed the screening of journals listing and did not identify any high-risk criteria. Our screening procedures identified journal entries and our examination of these did not identify unauthorised, unsupported or inappropriate entries.
- Our testing over journals is complete.

Journal controls are now subject to enhanced scrutiny by auditors and must comply with a series of prescriptive criteria in order to be considered effective. We did not identify effectively designed and implemented controls over journal entries because management do not enforce journal entry authorisation within SAP. Whilst there are authorisation logs for journal entries, there was no mechanism to stop a fraudulent entry being posted without being recorded on the journal entry log.

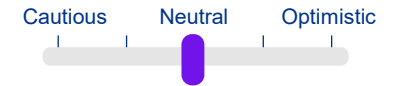
See Appendix 5 for our recommendation and management's response.

Audit risks and our audit approach



2 Incorrect valuation of directly held property

Assessment of accounting estimate



Significant audit risk

An inappropriate amount is estimated for the value of property due to inappropriate assumptions, errors in the underlying data or inaccurate computation of the valuation estimate. The significant risk is driven by the market assumptions due to the subjectivity and complexity involved in their determination.



Our response



Our findings

- We obtained the property valuation produced by the independent valuer as at 31 March 2024 directly from Nuveen, fund manager who further engage an independent valuer, Knight Frank (the property valuer). We noted the proposed valuation recorded by management was understated by £1.39m.
- We assessed Knight Frank as a management specialist and assessed their competency as a property valuer and their work for use as an audit evidence.
- We involved KPMG property valuation specialists to evaluate the assumptions underlying the properties' valuations for a selection of the directly held property portfolio, holding direct discussion with Knight Frank in respect of the underlying assumptions used for the valuation.
- The KPMG Real Estate team have challenged the valuer on the valuation inputs and reasons for value movement, considered any comparable evidence provided by the valuer and referred to our own internal sources of comparable data, market research, benchmark yields and MSCI data throughout our review. The KPMG Real Estate team evaluated a risk-based sample of properties and concluded that the valuations were balanced.
- Under the International Standards of Auditing, we are required to identify and evaluate the design and implementation of an internal control in relation to significant risks. Whilst the fund manager appoints a third party (Knight Frank) to value the property, we did not identify an associated management review or other control that meets the requirements of the auditing standards.

Audit risks and our audit approach



3

Valuation of Level 1, Level 2 and other Level 3 investments is misstated



Other audit risk

Investments are held to pay benefits of the Fund. They are held as pooled investments and cash with 18 investment managers. The investments are material to the financial statements (more than 95% of the Statement of Net Assets) and therefore there is a risk of material misstatement.

There is a risk of material misstatement relating to fair values of level 1 and 2 pooled investments and segregated assets, due to the estimation uncertainty resulting from the pricing of these investments.

There is a risk of material misstatement relating to fair values of level 3 pooled investments, due to the estimation uncertainty resulting from unobservable inputs to these investments.



Our response

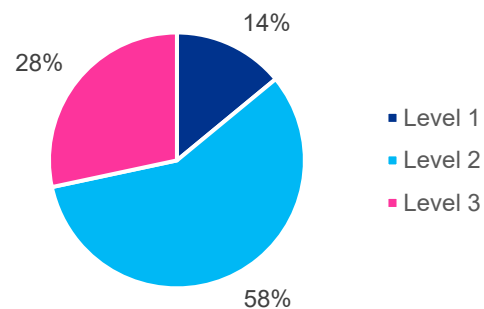
Our approach in relation to valuation for different types of investments is as follows:

- **Segregated financial instruments:** Our in-house investment valuation team, iRADAR, was engaged to independently revalue segregated securities and over the counter (OTC) derivative prices and identify stale price issues of directly held financial instruments within the investment portfolio as well as any exposures to hard to value assets.
- **Level 1 & 2 Pooled Investment Vehicles:** We recalculated the value of the Level 1 and 2 pooled investments using published pricing of the pooled investment vehicles at the year end (where available). For ULIPs, we verified from fund manager the willingness to transact at the price obtained.
- **Level 3 Pooled Investment Vehicles:** For each Level 3 pooled investment vehicle investment manager, we obtained the unaudited Net Asset Value ("NAV") Statement at (or closest to) the measurement date and vouched the valuation to this. We further assessed the reliability of the NAV statement for all Level pooled investment vehicles by:
 - Obtaining and inspecting the latest audited financial statements for the underlying funds where available;
 - Inspecting the audit report to confirm that it is unqualified and that the audit has been carried out by a reputable audit firm; and

See following pages for our findings.

Audit risks and our audit approach (cont.)

Level 3 Investments

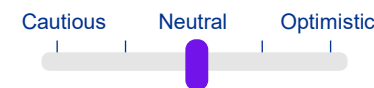


Type of security	Portfolio	Market value 2024 (£m)	Percentage of portfolio 2024 %	Market value 2023 (£m)	Percentage of portfolio 2023 %
Inputs are unobservable (i.e. market data is unavailable)					
Level 1: Segregated		313.56	14%	267.22	13%
Level 2: PIVs		1,287.61	58%	1,220.73	60%
Level 3: PIVs		404.41	18%	352.29	17%
Level 3: Property		218.77	10%	197.34	10%
Total		2,224.35	100%	2,037.59	100%



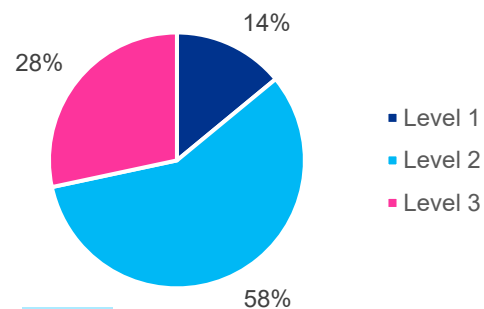
Our findings

Type of security	Our findings	Assessment of accounting estimate
Property	<ul style="list-style-type: none"> Refer to page 9 for the commentary and findings in respect of property assets 	
Level 3 Pooled Investment Vehicles	<ul style="list-style-type: none"> We obtained direct confirmations from the custodian and all the investment managers to vouch the holdings and valuation of assets at the year end; The draft financial statements are prepared on the basis of latest available valuations that are sometimes lagged due to delay in preparing the quarterly valuation statements by investment managers. Our audit procedures involved obtaining valuations as at 31 March 2024. We have identified an overstatement of £11.61m between the values in the draft financial statements and those provided by the investment managers as at 31 March 2024. This is relating to Blackstone (£10.36m) and M&G (£1.25m). This is not material to our financial statement's opinion. See Appendix 4 for details. 	



Audit risks and our audit approach (cont.)

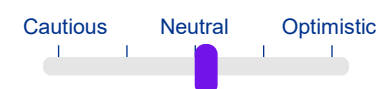
Level 2 Investments



Our findings

Type of security	Portfolio	Market value 2024 (£m)	Percentage of portfolio 2024 %	Market value 2023 (£m)	Percentage of portfolio 2023 %
Inputs are unobservable (i.e. market data is unavailable)					
Level 1: Segregated		313.56	14%	267.22	13%
Level 2: PIVs		1,287.61	58%	1,220.73	60%
Level 3: PIVs		404.41	18%	352.29	17%
Level 3: Property		218.77	10%	197.34	10%
Total		2,224.35	100%	2,037.59	100%

Type of security	Our findings	Assessment of accounting estimate
Segregated assets	Our in-house investment team, iRADAR, was used to verify the segregated securities and over the counter (OTC) derivative prices and identify stale price issues of directly held financial instruments within the investment portfolio as well as any exposures to hard to value assets. No issues were noted in these assets.	<div style="display: flex; justify-content: space-between; width: 100%;"> Cautious Neutral Optimistic </div>
Level 2 Pooled investment vehicles	<p>We obtained direct confirmations from your custodian and all your investment managers to vouch the holdings and valuation of assets at the year end;</p> <p>We engaged our in-house investment team, iRADAR who verified the pricing of the pooled investment vehicles at the year end to an external pricing source (where available) and noted no issues in these assets. For ULIPs, we verified from fund manager the willingness to transact at the price obtained and noted no issues.</p>	<div style="display: flex; justify-content: space-between; width: 100%;"> Cautious Neutral Optimistic </div>



Other matters



Annual report

The Pension Fund annual report will be issued later than the financial statements. We will consider whether there is a material inconsistency between this information included in the annual report and the financial statements, or with our knowledge obtained in the audit; or whether this information appears to be materially misstated.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

We have not completed any non-audit work at the Fund during the year.

See page 22 for more details.

Audit Fees

Our PSAA proscribed 2023/24 audit scale fee for the audit was £75,000 plus VAT.

The scale fees agreed with the PSAA do not take into account the impact of ISA315 (Revised). We have agreed a fee variation of c5% of the fee plus VAT with you in respect of ISA351R.

Appendices

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Required communications

Type	Response
Our draft management representation letter	<input checked="" type="checkbox"/> We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2024.
Adjusted audit differences	<input checked="" type="checkbox"/> There were 3 adjusted audit differences with an impact on net assets of £11.40 million. See page 19.
Unadjusted audit differences	<input checked="" type="checkbox"/> The aggregated impact on net assets of unadjusted audit differences would be £nil. In line with ISA 450 we request that you adjust for these items. However, they will have no effect on the opinion in the auditor's report, individually or in aggregate.
Related parties	<input checked="" type="checkbox"/> There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	<input checked="" type="checkbox"/> There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	<input checked="" type="checkbox"/> We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	<input checked="" type="checkbox"/> No actual or suspected fraud involving Fund management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Make a referral to the regulator	<input checked="" type="checkbox"/> If we identify that potential unlawful expenditure might be incurred then we are required to make a referral to your regulator. We have not identified any such matters.
Issue a report in the public interest	<input checked="" type="checkbox"/> We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Type	Response
Significant difficulties	<input checked="" type="checkbox"/> No significant difficulties were encountered during the audit.
Modifications to auditor's report	<input checked="" type="checkbox"/> None
Disagreements with management or scope limitations	<input checked="" type="checkbox"/> The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	<input checked="" type="checkbox"/> No material inconsistencies were identified related to other information in the statement of accounts.
Breaches of independence	<input checked="" type="checkbox"/> No matters to report. The engagement team and others in the firm, as appropriate, the firm and, when applicable, KPMG member firms have complied with relevant ethical requirements regarding independence.
Accounting practices	<input checked="" type="checkbox"/> Over the course of our audit, we have evaluated the appropriateness of the Fund's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	<input checked="" type="checkbox"/> No significant matters arising from the audit were discussed, or subject to correspondence, with management.
Certify the audit as complete	<input checked="" type="checkbox"/> We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.



Fees

Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2023/24 (£)
Statutory audit	75,000
ISA315r	7,840
TOTAL	82,840

**Note: we are in a process of agreeing the ISA315r fee uplift.*

Billing arrangements

- Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.
- As per PSAA's Scale Fees Consultation, the scale fees did not include new requirements of ISA315 revised (risk of material misstatement);



Confirmation of Independence



We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

To the Audit and Risk Committee members

Assessment of our objectivity and independence as auditor of London Borough of Southwark Pension Fund

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

The conclusion of the audit engagement partner as to our compliance with the FRC Ethical Standard in relation to this audit engagement and that the safeguards we have applied are appropriate and adequate is subject to review by an engagement quality control reviewer, who is a partner not otherwise involved in your affairs.

We are satisfied that our general procedures support our independence and objectivity.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Risk Committee of the Group and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Uncorrected audit misstatements



Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit, Governance and Standard Committee with a summary of uncorrected audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements.

There are no uncorrected misstatements to report.

Corrected audit misstatements



Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit, Governance and Standard Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Corrected audit differences (£m)				
No.	Detail	Fund Account Dr/(Cr)	Net Asset Statement Dr/(Cr)	Comments
1	Dr Directly held Property Cr Change in market value	(£1.39m)	£1.39m -	Due to mathematical inaccuracy performed by fund manager, the valuation of directly held property was misstated and wrongly recorded in the financial statements.
3	Dr Change in market value Cr Pooled Property (L3 pooled funds) Cr Private Equity (L3 pooled funds)	£11.61m	(£1.25m) (£10.36m)	Latest available value for private equity and pooled property was taken at the time of preparing the financial statements. However, it was the lagged valuation. While performing the audit, KPMG was able to confirm the valuation as at 31 March 2024 by obtaining an independent confirmation from fund manager and noted variance between the management's valuation and latest NAV.
Total		£10.22m	(£10.22m)	

Disclosure differences	
Matter	Comment
Capital commitments disclosure	Capital Commitments due as at 31st March 2024 relating to the Temporis Impact Strategy V Fund have been understated by £6.09m.
Capital commitments disclosure	Capital Commitments due as at 31st March 2024 relating to the Frogmore FREP III Fund have been overstated by £6.43m. These were considered as recallable when recording the outstanding commitments.
Investment risk disclosure	Assets exposed to currency risk is understated by £7m within disclosure of nature and extent of risks arising from financial instruments.
Reconciliation of movements in investments	Purchase and Sales within notes for reconciliation of movements in investments have been overstated by £70m. This won't have any impact on the closing investment valuation.

Control Deficiencies



The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations			
1	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately, but the weakness remains in the system.
		3	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
1	1	<p>Approval of journals: Segregation of duties</p> <p>The Pension Fund has a process where journal entries require authorisation prior to posting in SAP. Whilst none of the journal entries we selected for testing lacked authorisation, we note that the system – as configured – does not enforce authorisation meaning there is a risk that a journal could be posted without approval.</p> <p>We understand the limitations the Pension Fund has identified in the current system meaning they do not believe an approval workflow will be useful. The Pension Fund should consider introducing an approval workflow in its replacement finance system..</p>	<p>The pension fund follows the system put in place for the posting of journals in SAP for all users (council and pension fund).</p> <p>This recommendation will be fully addressed via the implementation of an approval workflow in the replacement finance system.</p>
2	2	<p>Management review of valuation of directly held property</p> <p>Under the International Standards of Auditing, we are required to identify and evaluate the design and implementation of an internal control in relation to significant risks. Whilst the Audit, Governance and Standard Committee appoints a third-party fund manager, Nuveen to manage its property portfolio and who further in turn engage Knight Frank to value the property, we did not identify an associated management review or other control that meets the requirements of the auditing standards.</p> <p>We recommend that the Fund review and challenge the valuations provided by the valuer. This process should be fully documented.</p>	<p>The Fund's direct property holdings are reviewed by officers on a quarterly basis. Movements in valuations are monitored quarterly and significant changes in valuation are investigated: the quarterly Knight Frank valuation report is reviewed to ascertain whether the reasons for valuation changes are documented; and, if required, further investigation is conducted via Nuveen.</p> <p>Arrangements will be made for the review of valuations to be formalised and documented during 2024-25.</p>

Control Deficiencies



The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations			
1	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
3			Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
3	2	<p>Related parties</p> <p>We noted that no formal process is followed by the Fund to identify related parties at the year end and to ensure that all related party transactions are captured.</p> <p>We therefore recommend that the Fund considers putting in place a formal process to do this as part of its year end close processes.</p>	<p>A review is conducted annually to identify potential related parties to the Fund. This considers all the key areas and functions associated with the operation of the pension fund, such as the external investment arrangements and the administration function. It is not considered necessary to put in place a formal process</p>
4	2	<p>Valuation of investments</p> <p>We noted that no formal process followed by pension fund to update the investment valuations after preparing draft financial statements. There is a risk that investments are recorded at lagged valuations.</p> <p>We therefore recommend that the Fund considers obtaining the asset confirmations from fund managers again (at least after 6 months from the year end) for those assets which were recorded at lagged valuations within the first draft of financial statements.</p>	<p>Investment valuations are provided by fund managers as soon as they are available. March valuations are received by the end of May. The required adjustments to the financial statements are identified and updated during the audit process.</p> <p>We note this recommendation and will ensure the current process is formally documented.</p>

Control Deficiencies



The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations			
1	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
		3	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
5	3	<p>Membership reconciliation</p> <p>We noted that no formal member reconciliation is performed noting membership changes in the year, reconciling movements and cross checking against the underlying payroll records. There is a risk that membership information may be incorrect.</p> <p>We therefore recommend that the Fund considers performing an annual membership reconciliation to ensure the completeness and accuracy of member records, which should be checked against the underlying payroll records for active and pensioner members at the year end or keep an audit trail and do a formal check when a report is run for the year end.</p>	<p>Following changes in admin software, the Pension Fund has been working towards membership reconciliation and membership movement reporting throughout the year.</p> <p>A reconciliation was already in the process of being built and tested throughout 2024-2025 with a view that it goes live during March 2025, in time for the next audit window. This will allow the Pension Fund to reconcile Active membership numbers by employee through each employer. And, with this report we will also be able to reconcile the Pensioner membership numbers (and Active membership numbers) back to underlying Council SAP/Payroll files.</p>

ISA (UK) 240 Revised: changes embedded in our practices



Ongoing impact of the revisions to ISA (UK) 240

- ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements* included revisions introduced to clarify the auditor's obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.
- We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

Matters related to fraud that are, in our judgement, relevant to the responsibilities of Those Charged with Governance

Our assessment of the risks of material misstatement due to fraud may be found on page 5 and 7. We also considered the following matters required by ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements*, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud:

- Concerns about the nature, extent and frequency of management's assessments of the controls in place to prevent and detect fraud and of the risk that the financial statements may be misstated.
- A failure by management to address appropriately the identified significant deficiencies in internal control, or to respond appropriately to an identified fraud.
- Our evaluation of the entity's control environment, including questions regarding the competence and integrity of management.
- Actions by management that may be indicative of fraudulent financial reporting, such as management's selection and application of accounting policies that may be indicative of management's effort to manage earnings in order to deceive financial statement users by influencing their perceptions as to the entity's performance and profitability.
- Concerns about the adequacy and completeness of the authorization of transactions that appear to be outside the normal course of business.

Based on our assessment, we have no matters to report to Those Charged with Governance.

KPMG's Audit quality framework



Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every engagement lead and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework. Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

■ Commitment to continuous improvement

- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



■ Association with the right entities

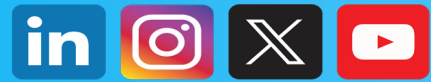
- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members employed KPMG specialists and specific team members



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Document Classification: KPMG Public

Meeting Name:	Local Pension Board
Date:	2 April 2025
Report title:	General Code of Practice – Action Plan
Ward(s) or groups affected:	Not applicable
Classification:	Open
Reason for lateness (if applicable):	Not applicable
From:	Chief Investment Officer

RECOMMENDATIONS

1. Local Pension Board (LPB) members are asked to note the findings from Barnett Waddingham’s review of the Fund’s readiness in complying with the requirements of the revised General Code of Practice (‘the Code’). The LPB is also asked to note the action plan which includes specific actions and steps to be taken by the Fund to address areas of gaps/improvements identified as part of the review.

Background

2. The Code came into force on 28 March 2024. The Code applies to governing bodies of occupational, personal, and public service pension schemes and sets out the Pension Regulator’s expectations of the conduct and practice governing bodies should meet to comply with their duties under pensions legislation.
3. Following the release of the Code in March 2024, the Fund officers engaged Barnett Waddingham as an independent third-party to review its compliance with the new requirements.
4. Barnett Waddingham have undertaken a desktop review of the documents/information provided by the Fund as part of a checklist/fact-finding questionnaire. The review has considered all modules applicable to the LGPS. Certain modules are not applicable to the LGPS and Barnett Waddingham have excluded them as part of the review.

Findings from Barnett Waddingham review

5. Overall, the review found that the Fund is in a very good position in terms of already complying with most of the requirements of the Code.
6. The Fund has strong internal controls, processes, policies and procedures in place for the majority of the requirements of the Code.

7. Barnett Waddingham conducted a session at the LPB meeting in October 2024 highlighting findings from their desktop review and assessing compliance with the modules applicable to LGPS.
8. Key areas where additional work is required to align with specific requirements of the Code are listed below:
 - a. Identifying, evaluating, and recording risks, particularly documenting the process involved in identifying and managing key risks
 - b. Managing procurement and appointment process in relation to engaging with advisers and service providers
 - c. Formalising checks and controls in relation to the investment of contributions received
 - d. Developing formal documentation and processes in relation to transfers out of the Fund
 - e. Developing/updating formal guidance and processes to resolving overdue contributions with employers
 - f. Updating the risk register to account for 'pension scams' as a possible risk and measures in place within the Fund to manage/mitigate such risks
 - g. Developing/updating the policy and processes on how AVC benefits are dealt with
 - h. Developing guidance/documentation in relation to retirement risk warnings

Action Plan & Next Steps

9. Following the Barnett Waddingham briefing on the results of their review at the October 2024 LPB meeting, as agreed with the LPB, the Fund officers have developed an action plan to address the gaps/improvement areas identified by Barnett Waddingham across nine specific modules of the Code.
10. The action plan captures both specific actions and steps the Fund officers will take to address the identified gaps/improvement areas. A risk-based approach will be adopted to prioritise focus areas where gaps/ improvement areas have been identified.
11. The action plan is attached as Appendix 1 to this report.
12. The action plan was tabled at the 19 March 2025 Pensions Advisory Panel meeting.
13. As LPB will lead on monitoring the implementation of the action plan, it will be a standing item at upcoming LPB meetings until completion of all actions to be taken to address the gaps/improvement areas.
14. At the upcoming LPB meetings, Fund officers will discuss progress in relation to

the action plan and any challenges/risks in implementation. The Fund officers will also keep the PAP updated on the progress of the action plan.

Policy framework implications

15. There are no immediate implications arising from this report.

Community impact statement

16. There are no immediate implications arising from this report.

Equalities (including socio-economic) impact statement

17. There are no immediate implications arising from this report.

Health impact statement

18. There are no immediate implications arising from this report.

Climate change implications

19. There are no immediate implications arising from this report.

Resource implications

20. There are no immediate implications arising from this report.

Legal implications

21. There are no immediate implications arising from this report.

Financial implications

22. There are no immediate implications arising from this report.

Consultation

23. There are no immediate implications arising from this report.

APPENDICES

No.	Title
Appendix 1	General Code Action Plan

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources	
Report Author	Caroline Watson – Chief Investment Officer	
Version	Final	
Dated	25 March 2025	
Key Decision?	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Assistant chief executive, governance and assurance	N/A	N/A
Strategic Director of Resources	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team		

Appendix 1 - General Code Compliance and Action Plan

RAG Rating	Module count (Percentage)
Red	0 (0%)
Amber	6 (11%)
Green	35 (66%)
Awaiting assessment	3 (6%)
N/A*	9 (17%)
Total	53 (100%)

Key to colours

Colour	Meaning
■	The Fund complies with the Code and no further action is required at this time
■	The expectation does not apply to the LGPS but the Fund may wish to comply with this expectation as a matter of good practice
■	The Fund does not comply with the Code and action is required

*Not specifically applicable to the LGPS

#	Topic	Current finding/status	Action Required	Responsibility	Due Date	Team members	Outcome/Comments
1	Managing advisers and service providers	Conflicts of Interest (southwarkpensions.co.uk) The above documents identifies how conflicts of interest are managed with regard to Aon.	The Fund may wish to include a high-level summary on the procurement and appointment process of advisers and service providers and may wish to provide more details on annual supplier reviews and how other key advisers are monitored.	Pensions Investments & Operations Team	30/06/2025	Investments team: Caroline Watson, Spandan Shah, Tracey Milner Operations team: Barry Berkengoff, Peter Hughes	This will be a combination of annual supplier reviews and periodic/annual feedbacks requested either by the fund officers or by the service providers (e.g. AON).
2	Identifying, evaluating, and recording risks	Risk register which outlines the key risks of the Fund, stakeholders, ownership and mitigation of the Fund's key risks.	The Fund may wish to include wording on the identification process of the Fund's key risks.	Pensions Investments & Operations Team	30/04/2025	Investments team: Caroline Watson, Spandan Shah Operations team: Barry Berkengoff, Peter Hughes Insurance/Risk management: Laura Sandy	We will present a new Risk register format to the LPB at the upcoming meeting on 02/04/2025. Following any feedback, we will finalise the format and also prepare formal documentation in relation to the process adopted for identifying and quantifying the key risks.
3	Financial transactions	The Fund has in place a detailed Data Management Policy which highlights the administration system along with standards expected. It is expected that there are strong processes for the governance of investing contributions.	The Fund may wish to outline at a high level the processes and checks and controls with the investment of contributions.	Pensions Investments Team	No Action required	Investments team: Caroline Watson, Jenny Han-Nguyen	Pensions contributions are monitored on a monthly basis and the Fund's cash management policy identifies how cash balances are managed.
			The Fund may wish to update the Data Management Policy to include the following: SLA's of the administrator system and reviews (if completed).	Pensions Operations Team	30/06/2025	Operations team: Barry Berkengoff, Peter Hughes	
4	Transfers out	The Fund has in place the correct processes to ensure transfers are completed which meets the statutory requirements but it is not formally documented.	Continue the development of formal documentation and processes in line with LGA and FCA guidance.	Pensions Operations Team	31/05/2025	Operations team: Barry Berkengoff, Peter Hughes, Agne Svencionyte	
5	Resolving overdue contributions	The Fund has in place detailed reconciliation spreadsheets. These spreadsheets would cover the reconciliation and identification of overdue contributions. However, we were unable to locate specific wording to resolving the process.	To confirm/update if there is formal guidance and processes to resolving overdue contributions with employers.	Pensions Investments Team	30/06/2025	Investments team: Caroline Watson, Jenny Han-Nguyen	We are in the process of developing guidance and controls around how we deal with overdue contributions.
6	Scams	It would be expected that the internal audit would cover pension scam reviews and the fund would have in place processes to mitigate potential scams.	The Fund may wish to update the risk register to include potential scams and actions the Fund have in place to mitigate the risk.	Pensions Investments & Operations Team	Action completed	Investments team: Caroline Watson Operations team: Barry Berkengoff	Risk register already updated for 'Pensions Scams' as a risk. A description of measures in place to mitigate the risk also included as part of the revision. Additionally, the Fund already participates in the NFI initiative as well as following FCA/Pensions Ombudsman guidance on pensions liberation.
7	Annual pension benefit statements	The Fund has in place a webpage providing details on AVCs, however, we have been unable to locate wording with regard to the production of the benefit statements. It is expected that AVC benefit statements are produced and distributed to members.	The Fund has confirmed that the Administration team are building a Policy and the processes on how AVC benefits should be dealt with. The status can be amended upon the completion of this work.	Pensions Operations Team	30/06/2025	Operations team: Barry Berkengoff, Peter Hughes, Agne Svencionyte	A process is being developed to include annual AVC benefits as part of the main Annual Benefit Statement exercise.
8	Retirement risk warnings and guidance	Unable to locate any specific documentation or wording with regard to risk warnings.	The Fund has confirmed that the Administration team are building a Policy and the processes on how AVC benefits should be dealt with in line with LGA guidance. The status can be amended upon the completion of this work.	Pensions Operations Team	30/06/2025	Operations team: Barry Berkengoff, Peter Hughes, Agne Svencionyte	
9	Systems of governance	This is an overarching module, so need to look at individual modules for compliance.	Need to monitor actions against other modules.	Not Applicable	Not Applicable	Not Applicable	Not Applicable