



Lancashire County
**Pension
Fund**

Governance Compliance Statement

June 2023

www.lancashirecountypensionfund.org.uk



Governance of the Fund

Lancashire County Pension Fund Governance Compliance Statement

Under regulation 55 of the LGPS Regulations 2013, all Local Government Pension Schemes (LGPS) in England and Wales are required to publish a Governance Compliance Statement.

The Governance Compliance Statement must set out whether the local authority delegates its functions, or part of its functions to a committee, a sub-committee, or an officer of the authority.

LCPF, although not a separate legal entity, has its own specific governance arrangement and controls which sit within the overall governance framework of Lancashire County Council.

As the Administering Authority the County Council is responsible for making decisions relating to the operation of the Fund, including the following:

- To ensure that the Fund operates in accordance with the Local Government Pension Scheme Regulations,
- To monitor and review all aspects of the Fund's performance, which includes administration and investment,
- The collection of employee and employer contributions, investment income and other amounts to the Fund as stipulated in the Regulations,

- To ensure that cash is available to meet the Fund's liabilities,
- To ensure that assets are invested in accordance with the Fund's Investment Strategy Statement,
- The development, maintenance and implementation of various policies and strategies as required, such as the Administration Strategy, Discretions Policies, Breaches Policy, Investment Strategy Statement, and Funding Strategy Statement which together ensure effective governance of the Fund.

Governance Structure

The Pension Fund Committee (PFC) fulfils the role of 'Scheme Manager'¹ for the Fund, as set out in Regulations, which includes the administration of benefits and the strategic management of Fund investments and liabilities. It is responsible for establishing, and monitoring progress on, the strategic objectives of the Fund through a rolling three-year Strategic Plan.

The County Council has established two bodies to assist the PFC oversee the Fund:

- The Investment Panel; and
- The Lancashire Local Pension Board (LPB).

The Investment Panel provides expert professional independent advice to the PFC in relation to investment strategy and supports the Head of Fund with specialist advice as required by the PFC.

The role of the LPB is to assist the County Council as the Administering Authority which includes:

- To secure compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the LGPS,
- To secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
- In such other matters as the LGPS Regulations may specify.

¹ A person or body responsible for managing or administering a pension scheme established under section 1 of the 2013 Act. In the case of the LGPS, each Fund has a Scheme Manager which is the Administering Authority.

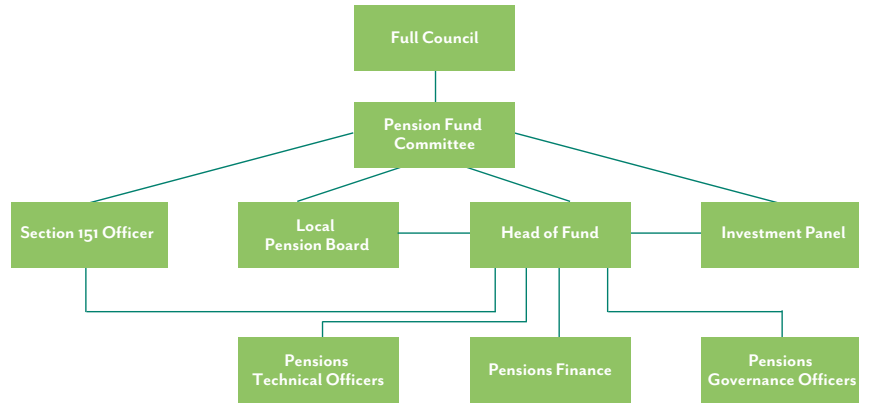
The Pension Fund Committee

The PFC is a non-executive committee of the County Council with a constitution of 19, made up of 12 County Councillors and 7 voting Co-opted members as set out below:

- One representative of the further and higher education sector in Lancashire;
- One representative of Blackburn with Darwen Council;
- One representative of Blackpool Council;
- Two Trade Union representatives; and
- Two representatives of the Lancashire Borough and City Councils

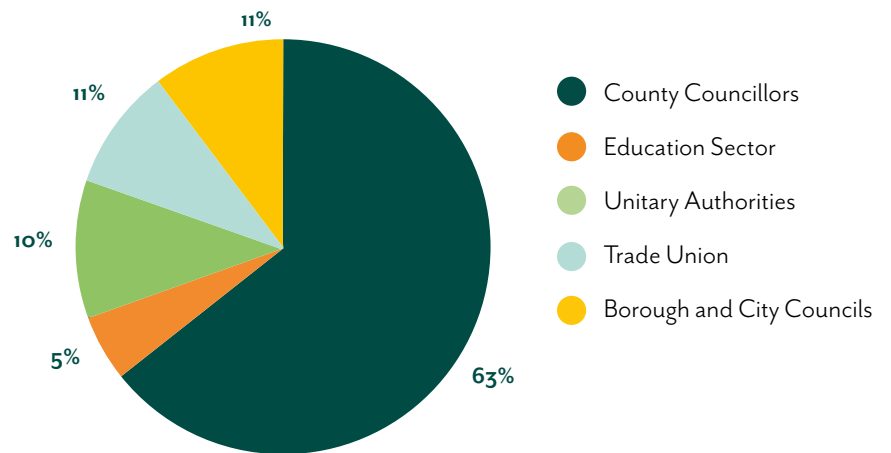
The PFC meets on a quarterly basis

Fund Structure (Fig,1)



Note to Fig.1: The LPB assist the County Council the Administering Authority in its role as Scheme Manager (as delegated to the PFC).

Fig.2 – Breakdown of Pension Fund Committee representation by percentage



The Governance Structure shown to the right provides an overview of the role of the PFC however full Terms of Reference can be accessed by the link below (page 14):

[Part 2 - Article 7 Other Committees of the Council - July 2022.pdf](#)

The Investment Panel

The Investment Panel consists of the Head of the Fund and at least two Independent Investment Advisors.

The Investment Panel meet on a quarterly basis or otherwise as necessary to review the Fund's long term investment strategy and provide advice on investment strategies proposed by Local Pensions Partnership Investment Limited.

The full Terms of Reference for the Investment Panel can be accessed by the link below (see page 26)

[Part 2 - Article 7 Other Committees of the Council - July 2022.pdf](#)

Lancashire Local Pension Board

As required by the Public Service Pensions Act 2013, the County Council as administering authority established the LPB to assist in the good governance of the scheme by ensuring the Fund's compliance with legislation and statutory guidance.

The Terms of Reference for the LPB are available via the link below (see page 28).

[Part 2 - Article 7 Other Committees of the Council - July 2022.pdf](#)

The LPB is non-executive body which consists of 9 members and is constituted as follows:

- An independent member selected by the PFC who is not a member of the Lancashire County Pension Fund and who will be the Chair of the Board.
- 4 employer representatives on the following basis:
 - 2 nominated from Lancashire County Council.
 - 1 nominated from unitary, city or borough councils or Police and Fire bodies.
 - 1 nominated following consultation with other employers within the Fund.

- 4 scheme member representatives drawn from the membership of the Fund

The LPB meet on a quarterly basis and review items specified in the LPB Workplan.

Knowledge and Skills

The Fund is required under section 248a of the Pension Act 2004, as amended by the Public Service Pensions Act 2013 coupled with the Pension Regulators Code of Practice, to ensure that members of the PFC and LPB have sufficient level of knowledge and understanding to undertake the roles and functions of the positions they have been appointed to.

The Fund have developed a combined training plan for the LPB and PFC which is developed in line with the CIPFA Knowledge and Skills Framework for LGPS Committee Members and LGPS Officers (2021) and CIPFA Local Pensions Board (2015). The training courses incorporated in the training plan are identified following the Fund officers undertaking a learning needs analysis.¹

Officers

The PFC delegates specific functions to the Head of Fund, the Director of Law & Governance and section 151 Officer.

The Head of Fund is designated as the officer responsible for the management of the Fund, which includes leading and delivering strategy, accountability to the PFC and LPB and financial and investment management of the Fund.

The Head of Fund may authorise the Senior Officers of the Fund to exercise on their behalf the functions delegated to them.

The Officers of the Fund adhere to the County Council's employee Code of Conduct which sets out behavioural standards that must be upheld by all staff. The details of the employee's code of conduct can be found below:

<https://council.lancashire.gov.uk/documents/s149251/Appendix%20F.pdf>

The Fund Officers undertake appropriate training to ensure they have sufficient knowledge relevant to their role. Staff who are members of professional bodies also have obligations to undertake continuing professional development relevant to their role.

¹ Section D of this report provides details of training delivered throughout 2022/23

Accountability and Publication of Information

Details of PFC and LPB meetings, including agenda and minutes are publicly available via the County Council's Website.

Meetings of the PFC and the LPB are accessible to the press and public except where they are excluded from the meeting when items being discussed are exempt from the press and public under part 1 of schedule 12A of the Local Government Act 1972.

The LPB workplan is submitted to the PFC in March each year for approval and a report of the work undertaken by LPB is presented annually to PFC in June. There is also a section in the Lancashire County Pension Fund Annual Report which is dedicated to the activities undertaken by the LPB.

A copy of the Fund's Annual Report can be viewed on the Fund website at www.lancashirecountypensionfund.org.uk.

Investment and Administration Services

Since 2016 pensions administration and investment functions have been delivered on behalf of the Fund by the Local Pension Partnership Limited (LPPL) a company owned by Lancashire County Council and the London Pensions Fund Authority (LPFA). Pension administration services are provided by the administration arm of the Local Pensions Partnership, which is called Local Pensions Partnership Administration Limited (LPPA), with investment services being undertaken by the investment arm, Local Pensions Partnership Investments

Limited (LPPI). The PFC monitors the performance of both these functions and receives reports at each quarterly meeting to ensure good control and oversight over the services provided by the LPPA and LPPI.

For all arrangements where there is a relationship between the Fund and another organisation, the Fund seeks to spell out clearly the expectations and requirements on each party, whether in the form of a contract or "service level agreement" where a contract is not appropriate.

Risk Management

The management of risk is central to the activities of the Fund and it has established its own risk management arrangements that include the following:

- Risks are monitored and assessed on a quarterly basis.
- Risk reporting and the Risk Register are regularly presented to the PFC and the LPB.
- A 'heatmap' compliments the risk register to provide a quick overview of the likelihood and impact of each risk
- Additional oversight is provided by the County Council's Audit, Risk & Governance Committee; and
- The Fund has a 'Risk Management Framework' policy document which is reviewed periodically and sets out all the risk management arrangements for managing all risks for the Fund.

The risk register is broken down into the following key risk areas:

- Investment and Funding Risk – all financial risks associated with the Fund, including risks associated with managing scheme assets and pension liabilities.
- Member risk – all risks which may impact on the high levels of service the Fund members receive.
- Operational risk – risks which could negatively impact the smooth and

effective running of all aspects of Fund operations and governance.

- Transition risk – temporary risks arising from changes in the management of investments or service delivery.
- Emerging risk - evolving, new risk that is difficult to characterise or assess at a point in time, as the cause and / or how the risk will impact the organisation is unclear.

The 'Risk Management Framework' and 'heatmap' can be viewed by accessing the following link: [Publications – Pension Fund \(www.lancashirecountypensionfund.org.uk\)](http://www.lancashirecountypensionfund.org.uk)

Conflicts of interest and Code of Conduct

A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's ability to undertake the functions of the role they have been appointed to.

A conflict could arise where an individual has been appointed to a Governing Body (such as the PFC or LPB) who at the same time has a separate personal interest or responsibility (financial or otherwise) in a matter being discussed. The Fund has established a Conflicts of Interest policy that sets out its approach to identifying, monitoring, and managing conflicts of interest for members of the LPB.

In addition to the policy there is also Lancashire County Council Members and Co-Opted Members' Code of Conduct which all members of the PFC and LPB are required to adhere to.

Full details of the members and co-opted members code of conduct can be viewed by accessing the link below:

[Members and Co-opted members' Code of Conduct \(lancashire.gov.uk\)](http://lancashire.gov.uk)

Under the Code of Conduct, members of the PFC and LPB must have regard to the 'Nolan' principles when active in a capacity as a member or co-opted member.

The operation of the Fund is subject to the County Council's Code of Corporate Governance. The County Council's Annual Governance Statement is prepared in accordance with the Framework prepared by CIPFA/Solace "Delivering Good Governance in Local Government" (2016 Edition). The framework builds on the seven principles listed here.

- Selflessness,
- Integrity,
- Objectivity,
- Accountability,
- Openness,
- Honesty; and
- Leadership.

In addition, there is a Code of Conduct for Officers which follows the same principles.

Members of the PFC and LPB are required to complete declarations of interest and the Fund maintains a Register of Interests. The Declaration of Interests is also a standing agenda item at all meetings of both the PFC and the LPB. In addition, elected members are expected to follow the policies agreed by the Local Authority, including the relevant Councillor Code of Conduct.

The Myners' first principle states that decisions should only be taken by persons or organisations with the skills, information, and resources necessary to take them effectively. Where trustees elect to take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take. The governance controls referred to above – Knowledge & Skills and Code of Conduct – ensure that this principle is adhered to.

Internal Audit Assurance

The table below details the work undertaken by the County Council's Internal Audit Service and the assurance it provides for 2022/23. The internal audit work provides an independent and objective source of assurance over council operations.

Audit work	Assurance
Assurance provided by the county council's Internal Audit Service over the work of the Lancashire County Pension Fund Service	
Pensions processing	Substantial Assurance
Pensions Treasury Management	Substantial Assurance
Accounting for the Pension Fund through the council's general ledger	Substantial Assurance
Obtaining and understanding the assurance provided by LPPs own resources	Completed
Assurance relating to LPPA's administration of benefits	
Operational Quality	Immediate Action Needed
Contractual Service Level Agreement	Enhancement Required
Procurement & Vendor Management	Significant Improvement Required
Operational Capacity Planning	Significant Improvement Required
Assurance relating to Local Pensions Partnership Investments (LPPI)	
Type II Independent Service Auditor's Assurance Report – KPMG	Qualified Opinion

The administration related audits took place against the backdrop of significant change programme to transition to a new administration system (referred in section G below). As this transition has taken place, many of the audit issues raised that potentially impact on member experience have often been improved or enhanced as the new system has been implemented.

With regards to the independent service auditor's assurance report on control activities at LPPI, KPMG evaluated that the

activities were operating effectively.

The Qualified Opinion was limited in scope and restricted to an improvement in the physical access control environment which was immediately implemented. It is important to note that no exceptions were noted from 1 September 2022 to 31 December 2022, after LPPI took action to address the qualification.

Lancashire County Pension Fund Governance Compliance Statement

The table below shows how the Fund complies with the standards set out by the Secretary of State for Levelling Up, Housing and Communities as required under Regulation 55 of the LGPS Regulations 2013. The statement sets out where the Fund is fully compliant with the guidance and provides an explanation where it is not fully compliant.

A. Structure	(a) the Management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing Council	✓
	(b) that representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee (1)	Partial (see Note 1)
	(c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	✓
	(d) that where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	✓
B. Representation	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. (1) These include: (i) employing authorities (including non-scheme employers, e.g. admitted bodies) (ii) scheme members (including deferred and pensioner scheme members) (iii) independent professional observers (2) (iv) expert advisors (on an ad hoc basis)	Partial (see Notes 1 and 2)
C. Selection and Role of Lay Members	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee. (It is the role of the administering authority to make places available for lay members and for the groups to nominate the representatives. The lay members are not there to represent their own local, political, or private interest but owe a duty of care to their beneficiaries and are required to act in their best interests at all times).	✓
D. Voting	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	✓
E. Training/ Facility time/ Expenses	(a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	✓
	(b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	✓
F. Meetings - Frequency	(a) that an administering authority's main committee or committees meet at least quarterly.	✓
	(b) that an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sit.	✓
	(c) that administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	✓
G. Access	That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	✓
H. Scope	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	✓
I. Publicity	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.	✓

Notes - Reasons for partial compliance

1) Unitary councils, City/Borough Councils and further and higher education employers, are represented. Other admitted bodies only represent 17.2% of contributors to the Fund and are therefore not represented. However, all employers receive a full annual report and are alerted to important events. Although employee representatives, i.e. trade unions, do not formally represent deferred and pensioner scheme members, it is accepted that representation is available to deferred and pensioners members via this route where necessary and/or appropriate. In addition the interests of all scheme members and employers are specifically represented in the composition of the Local Pension Board.

2) Guidance envisaged that an independent professional observer could be invited to participate in governance arrangements to enhance the experience, continuity, knowledge, impartiality and performance of committees or panels which would improve the public perception that high standards of governance are a reality and not just an aspiration. This role is currently performed by the Fund's independent advisors and officers, and it is not apparent what added value such an appointment would bring.

