

## Pension Fund Committee

Meeting to be held on Friday, 15 September 2017

Electoral Division affected:  
(All Divisions);

### Supply of Lancashire Pension Fund Custodian Service

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#### Executive Summary

The current contract for the provision of custodian services is due to expire on 31<sup>st</sup> July 2018. This report sets out the timelines and award criteria for the procurement of a new custodian contract for the Fund.

#### Recommendation

That the County Council's Procurement Service undertake the following procurement processes:

1. Appoint an independent specialist firm via a 3 quote process, to assist the Fund in developing a specification for the custodian services and assist in the evaluation of potential tender responses as a result of the 2<sup>nd</sup> procurement exercise outlined below;
2. Undertake an independent open OJEU compliant procurement exercise to appoint an independent provider of custodian services for 3 years, with an option to extend for any given period up to a maximum of a further 3 years. The contract will commence on 1<sup>st</sup> April 2018.

#### Background and Advice

One of the key objectives of the Lancashire County Pension Fund (LCPF) in respect of its investments is to minimise risk. Operational risk is minimised by having custody of the Fund's financial assets provided by a regulated, external, third party professional custodian who keeps a register of holdings and will collect income and distribute monies according to client instructions.

All private market investments, including interests in private equity, property, and other pooled funds are directly in the name of Lancashire County Council as

administering authority of the LCPF. The custodian provides detailed investment accounting and reconciliation services for all private market investments.

Traditionally the Custodian has held a significant number of assets on behalf of LCPF. As a result of the recent pooling, the individual assets are owned by the company running the pool, the Local Pension Partnership, and they have their own custodian.

LCPF now holds less assets and the nature of the assets held have changed. As a consequence of the changes the custodian's role under the new contract will be focussed more on accounting and performance reporting. In addition the custodian will undertake some work on behalf of the County Council as part of its Treasury Management activities principally the holding of bonds.

Taking these changes into account, LCPF have stated they would like to appoint a custodian by the start of the next financial year (April 2018) and it has been proposed between LCPF and Lancashire Procurement Services that this be accomplished by the strategy highlighted in the recommendation.

An independent open OJEU compliant tender allows LCPF (in consultation with an appointed external advisor) to create its own specifications, performance measurements and contractual terms and conditions that reflect the changing role of the custodian.

The Committee is asked to note the process/timescales of the proposed procurement exercise and the proposed award criteria for custodian services highlighted in "**Appendix A: - Proposed timescales and award criteria**"

## **Consultations**

N/A

## **Implications:**

This item has the following implications, as indicated:

### **Risk management**

Failure to take steps to put a new contract in place and instead allow the incumbent to continue to provide the services will result in Lancashire County Council being in breach of its Procurement Rules, and the Public Contracts Regulations 2015.

The appointed independent advisor will be required to declare that there is no conflict of interest between their organisation and potential bidders for the custodian service contract.

## **Finance**

The current cost of the existing services is approximately £250,000 per annum and is met from the LCPF budget. The procurement exercise (in consultation with an

appointed external advisor) is expected to reduce this cost to the Pension Fund as it seeks to obtain greater value for money.

**Local Government (Access to Information) Act 1985**  
**List of Background Papers**

Paper	Date	Contact/Tel
N/A	N/A	N/A

Reason for inclusion in Part II, if appropriate  
N/A