

Pension Fund Committee

Meeting to be held on 6 June 2014

Electoral Division affected: None

Lancashire County Pension Fund – Annual Governance Statement 2013/14

(Appendix 'A' refers)

Contact for further information:

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Executive Summary

In November 2013 Grant Thornton, the Fund's external auditors published a national report called "Coming of Age", which reflected on developments in the management of funds within the Local Government Pension Scheme. The Lancashire County Pension Fund is cited as an example of good practice in this report in a number of areas. One of the questions which the report asks Funds to consider is whether the Annual Governance Statement of the Administering Authority covers the activities of the Fund adequately.

The position in Lancashire, which will be replicated in most administering authorities, is that the Council's Annual Governance Statement makes no specific reference to the activities of the Fund. Therefore in response to this officers have developed a separate annual governance statement for the Fund which is presented for approval.

Recommendation

The Committee is recommended to approve the Annual Governance Statement for the Lancashire County Pension Fund, set out at Appendix 'A', for signature by the Chair and the County Treasurer.

Background and Advice

At its last meeting on 27 March 2014 the Pension Fund Committee considered a report from the External Auditors, Grant Thornton, on benchmarking work they had undertaken on the Fund's governance arrangements following the publication of their national review of the governance of LGPS funds in November 2013. This report highlighted two areas where the Lancashire County Pension Fund could improve its arrangements to bring them in line with best practice.

The first of these was concerned with the analysis of risk within a risk register, which was also considered by the Committee at its last meeting. The second concerns the annual review of the Fund's governance arrangements and control framework. In this area the LCPF was one of over 70% of funds where no reference to the operations

of the Fund was made in the Annual Governance Statement of the Administering Authority (the County Council). It was also one of 97% of funds where the Fund did not produce a separate Annual Governance Statement. The exceptions to this are the two free-standing Pensions Authorities (in London and South Yorkshire), however these statements are concerned with the operation of the organisations rather than the management of the Pension Funds for which the organisations are responsible.

Importantly LGPS funds are not separate legal entities from their administering authority; hence the investments of the LCPF are made in the name of Lancashire County Council as administering authority for the Lancashire County Pension Fund. However, the Pension Fund is a substantial entity in its own right regardless of its legal status and it would be appropriate for any entity of this scale to carry out an annual review of its governance arrangements and control framework in order that "those charged with governance", in this case elected members, can be satisfied with the adequacy of the control environment in place.

In response to this officers have considered how such a review might best be conducted and concluded that the process of producing a separate annual governance statement for the Fund will provide members with the assurance required, as well as helpfully providing the County Council with added assurance about the control framework in a significant area of responsibility.

The process for compiling the statement has been undertaken by the Deputy County Treasurer who has responsibility for governance and compliance arrangements within the Fund. In order to compile the statement he has relied on assurance statements provided by each senior manager who has responsibility for an element of the operation of the Fund which assess and examine performance against the various elements of the control framework as applied specifically to the running of the Fund. In addition the statement reflects the conclusions drawn by the Chief Internal Auditor from her work in relation to the Fund during the year, which is reported elsewhere on the agenda for this meeting of the Committee.

There is no precedent available for the style and format of a separate Annual Governance Statement for a local authority pension fund and therefore that used by the London Pension Fund Authority has been followed, although this is also quite similar to that of the County Council.

Consultations

Discussions have been held with the External Auditor in terms of the expectations flowing from their work referred to in this report.

Implications:

This item has the following implications, as indicated:

Risk management

A sound Annual Governance Statement which reflects the reality of the operation of the Fund represents a key assurance for members that the control framework is operating appropriately to manage risk.

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

Paper	Date	Contact/Directorate/Tel
"Coming of Age: Development of the Local Government Pension Scheme" Grant Thornton	November 2013	George Graham County Treasurer's Directorate (01772) 538102

Reason for inclusion in Part II, if appropriate

N/A