

## **Pension Fund Committee**

Meeting to be held on 28 November 2014

Electoral Division affected: None
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### **Impact of Lancashire County Council's Transformation Programme on the arrangements for managing the Lancashire County Pension Fund**

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#### **Executive Summary**

Lancashire County Council, which is the administering authority for the Lancashire County Pension Fund, is undertaking a major organisational transformation programme. This report sets out for the information of members of the Committee the implications of this programme for the arrangements for managing the Lancashire County Pension Fund.

#### **Recommendation**

The Committee are recommended to note the contents of this report.

#### **Background and Advice**

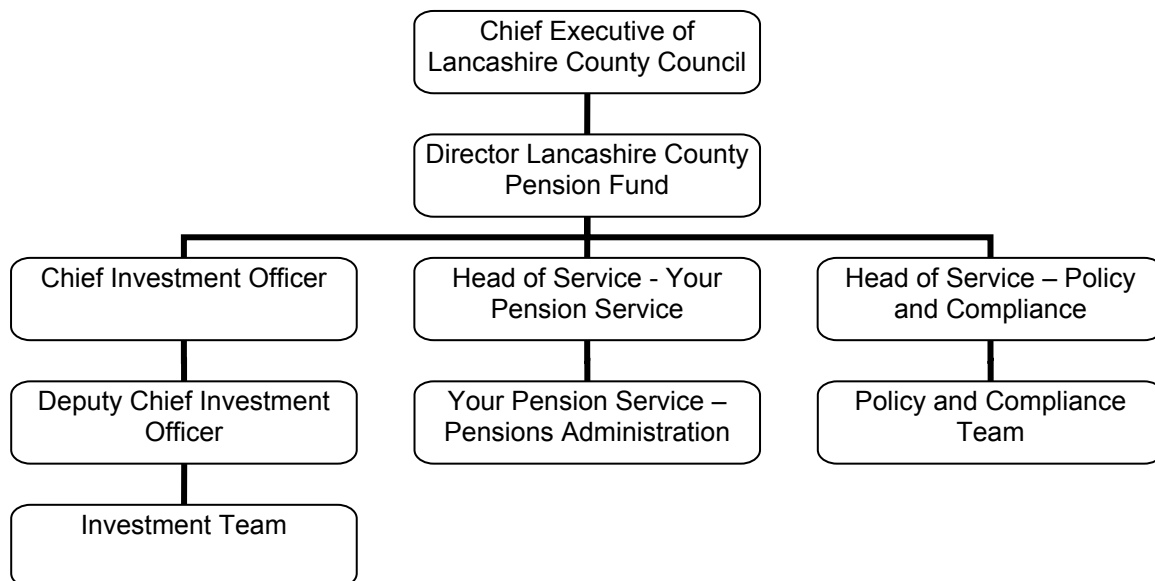
The ongoing reductions in public spending mean that all local authorities face having to make significant reductions in spending over the coming years. For Lancashire County Council the scale of the forecast reductions is some £315m over the period 2014 – 2018. To achieve this financial reality, the Council is seeking to ensure that organisationally it is as effective as possible at delivering services, and that a new service offer is developed, setting out in an open and transparent way what can be delivered within the resources available. This will be delivered through a fundamentally redesigned organisation.

The redesign of the organisation was approved by Cabinet on 9 October 2014, and the process of populating the new structure has begun. Within this redesign, the Council's Chief Executive has taken the opportunity to strengthen the arrangements for delivering the Council's responsibilities as administering authority for one of the largest pension funds within the Local Government Pension Scheme (LGPS).

In terms of the Pension Fund, the context for the development of these proposals is set by the continuing reform of the public sector pensions' landscape including, from 2015, a new role for the Pensions Regulator with a keen focus on the issues of conflict of interest between funds and their "sponsor". There is, across many LGPS Funds an increasing move to more clearly separate the management and operation of funds from that of their host councils, a move which is likely to be supported by

work recently commissioned by the Shadow Scheme Advisory Board. Moves of this sort are entirely in line with the overall theme of professionalising the management of LGPS funds which has been supported by this Committee in its development of investment strategy, and in contributions to the debate on the future of the LGPS.

Taking all these various factors into account, the Council's Chief Executive has within the new organisational design created a separate organisational unit for the Lancashire County Pension Fund reporting directly to her. The senior management structure of this unit is set out in the diagram below:



This structure strengthens the current arrangements by bringing together the all aspects of the work of the Pension Fund under one senior manager whose time is fully dedicated to the Fund in a way that has not been possible up to now.

This revised management structure will require a review of the Fund's governance, as the current delegation from the Committee to the County Treasurer will cease with effect from 1 April 2015, the date the new structure takes effect. It will be necessary to fully revise the Fund's scheme of governance and this will be brought to the next meeting in order to ensure that it is in place prior to the commencement of the new management structure on 1<sup>st</sup> April 2015.

It is the intention that the powers currently delegated to the County Treasurer in her role as Treasurer to the Fund will be delegated to the Director of the Pension Fund and that the Head of Policy and Compliance will undertake the compliance and due diligence role on the Investment Panel currently carried out by the Deputy County Treasurer, thus continuing the operation of effective checks and balances within the Fund's governance arrangements.

Further discussion is necessary over the allocation of the role of Appeals Officer for the Fund (under Stage 2 of the Internal Dispute Resolution Procedure) which is currently carried out by the Deputy County Treasurer, but this will be carried out either by the Director of the Pension Fund or the Head of Policy and Compliance.

The County Council's s.151 Officer will continue to be the s.151 officer for the Fund with responsibility for ensuring the proper administration of the Fund's financial affairs, and in particular the production of the Fund's accounts. The separation of the s.151 role from the role of running the fund in this way is common in the larger metropolitan funds with which the Lancashire County Pension Fund is most similar in terms of the scale of operation.

The County Council's Internal Audit Service will continue to provide a service both to the Committee and to management in terms of reviewing the Fund's overall system of internal control and providing an annual report on their findings.

### **Consultations**

N/a

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

By devoting dedicated senior management resource to the overall management of the Fund greater attention will be paid to the risks facing the Fund and it will be possible to develop greater levels of expertise in the management of pension funds which will be of longer term benefit to the Fund.

### **Financial**

The costs of the structure of the Pension Fund organisational unit set out in this report are fully recharged to the Pension Fund and any implications for the Fund following the completion of the County Council's appointment processes will be reported as part of a report on the budget for the running of the Fund which is scheduled for the March meeting of the Committee.

### **Local Government (Access to Information) Act 1985**

#### **List of Background Papers**

Paper	Date	Contact/Directorate/Tel
A New Employee Structure for Lancashire County Council	9 <sup>th</sup> October 2014	<a href="http://council.lancashire.gov.uk/ieListDocuments.aspx?CId=122&amp;MId=3014">http://council.lancashire.gov.uk/ieListDocuments.aspx?CId=122&amp;MId=3014</a>

Reason for inclusion in Part II, if appropriate

N/a