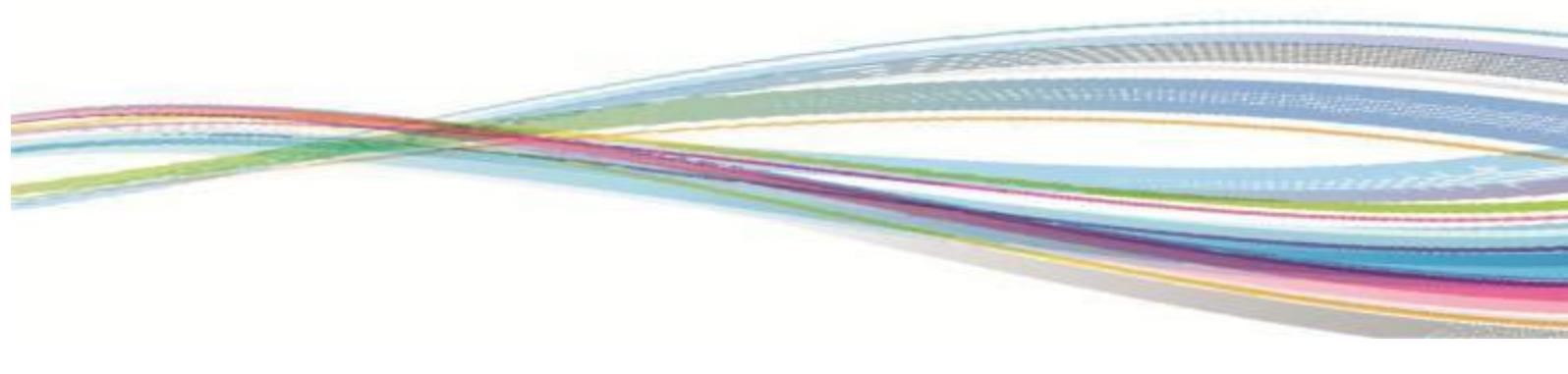


London Pensions Fund Authority



# Local Code of **Corporate Governance**

Approved by Audit and Risk Committee June 2016



## Local Code of Corporate Governance 2016

### Introduction

The London Pensions Fund Authority (LPFA) is a body constituted by statute as a Statutory Corporation to operate principally under a local government statutory framework related to its primary function of administering the Local Government Pensions Scheme (LGPS). As such, LPFA must comply with legislation as applied and the statutory regulations applying to the administration of the Scheme.

As a corporate body and single purpose local government pension fund, LPFA is influenced primarily in two ways

- guidance in regard to local authorities; and
- guidance in pension fund management.

As a service provider, LPFA must also have regard to contractual or fiduciary relationships to its key stakeholders, including employers, scheme members and local tax payers.

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Corporate governance can be described as a system by which organisations are directed and controlled. Following the Cadbury Report in 1992, and recommendations for high standards of corporate behaviour in the private sector, the Nolan principles were developed to ensure accountability in public life.

This Local Code of Corporate Governance has been developed in line with the CIPFA (Chartered Institute of Public Finance and Accountancy) and SOLACE (The Society of Local Authority Chief Executives and Senior Managers) framework and guidance contained in *Delivering Good Governance in Local Government*.



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Given LPFA's unique status as a statutory corporation this Code endeavours to reflect the guidance and best local government practice where possible, whilst having regard to the requirements placed on pension funds to demonstrate effective scheme governance.

This document sets out LPFA's Local Code of Corporate Governance and the process for monitoring and maintaining the Code which will assist LPFA to successfully achieve its objectives.

The Code is reviewed annually, and monitored by the Audit & Risk Committee, prior to the inclusion of the Annual Governance Statement in the Annual Accounts. In addition an annual action plan is devised to maintain best practice in corporate governance.

In relation to LPFA the Code is comprised of 6 supporting principles and is underpinned by a series of externally published documents, policies and internally documented procedures.

For further information on any of these please contact Ed Williams, Monitoring Officer [email address to be inserted]

## **LPFA Values and Behaviours**

LPFA has established a set of values and behaviours. While the strategy outlines the deliverables LPFA will strive to achieve, the values outline how this is to be achieved. These values are embedded into LPFA's appraisal system and staff are recognised for exhibiting them.

### **BE THE BEST**

- Striving to deliver the best for our people and our stakeholders
- Being alert to and responsive to change
- Progressing on our journey from good to excellent

### **DELIVER RESULTS**

- Focusing on performance - individual, team and organisation
- Being aware of the consequences of our actions or inactions
- Taking responsibility and keeping our promises
- Measuring what makes a difference

### **OUR PEOPLE MATTER**

- Setting clear expectations and empowering people to deliver
- Developing opportunities for job satisfaction and recognition
- Adopting a collaborative, team approach
- Respecting and celebrating diversity

### **ACT WITH INTEGRITY**

- Challenging behaviour and having difficult conversations
- Being honest and treating everyone fairly
- Building trust and promoting openness

## Key Principles of Corporate Governance:

This Code sets down the fundamental principles of good governance and has been divided to reflect the 6 supporting principles of good governance as included in the CIPFA/Solace guidance.

Good governance means



## Applying the Six Principles:

In accordance with the CIPFA/SOLACE Guidance<sup>1</sup> LPFA will strive to ensure that each of the six supporting principles of good governance are applied.

### **1) Focusing on the purpose of the LPFA and on outcomes for the community and creating, implementing and communicating a vision for the local area**

The LPFA was established as a Public Body on 31<sup>st</sup> October 1989 by *The Local Government Reorganisation (Pensions etc.) Order 1989* [SI 1815]. This Order transferred to the LPFA with effect from 1<sup>st</sup> April 1990 all the functions, property, rights and liabilities of the London Residuary Body (LRB) in relation to the GLC Superannuation Fund, and the role of Administering Authority for the Fund within the Local Government Pension Scheme. The Order is also the primary instrument for the LPFA's powers and duties, which in the context of the Fund administration are very similar to those of local government authorities.

In 2000, certain responsibilities of the Secretary of State under SI No. 1815 were transferred to the Mayor of London under the provisions of the *Greater London Authority Act 1999*. These changes relate to the appointment of board members, the submission of strategy and budget statements, and accounts and audit.

The principal regulations applying to the administration of the LGPS are made by the First Secretary of State under the Public Sector Pensions Act 2013. These regulations are the *Local Government Pension Scheme Regulations 1997, 2008 and 2013* and the *Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 and 2009*.

LPFA has obtained legal advice in regard to its responsibilities relating to the pension fund, budgeting and the making of a levy, and on general law and legal action. These statements of advice support the statutory constitution and are reviewed over time.

### **Identifying, reviewing and communicating the LPFA's vision of its purpose and intended outcomes for stakeholders and service users.**

The LPFA has an established planning process in place.



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<sup>1</sup> Delivery of Good Governance in Local Government: Framework 2007 (with the 2012 Addendum)

The objectives of the organisation are reviewed annually by the Board and key responsibilities and actions are identified for the ensuing three-year period. The LPFA's mission statement, aims and objectives, key programmes and key performance indicators are contained within a Strategic Policy Statement ([www.lpfa.org.uk/](http://www.lpfa.org.uk/)) and are presented to Mayor of London annually. This sets out the direction of the LPFA following discussions by Board Members and Principal Officers at a strategy away-day during which the vision is identified and the vision updated. The vision is respectively translated into Strategic Policy Statement and Medium Term Financial Plan enabling the Board members to review it and its implication for the LPFA's governance arrangements. It is further translated into objectives included in the business plans. Through the performance management arrangements, a framework of procedures and control points exists as a means of ensuring all staff and significant delivery partners work towards, and identify with, common aims and to deliver targeted outputs.

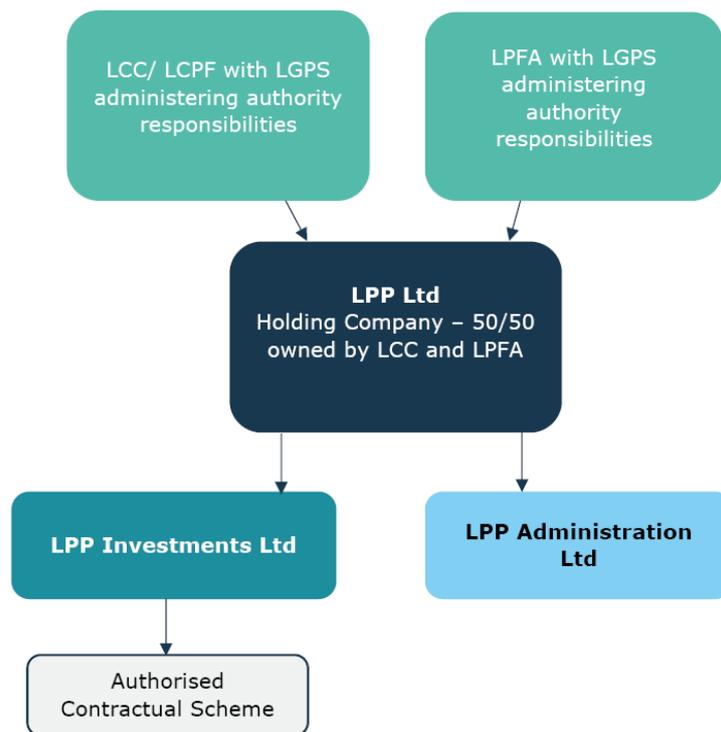
The LPFA's Board meets regularly to consider plans and the strategic direction of the organisation through formal quarterly monitoring reports against the Strategic Policy Statement.

The requirement that all Board and Committee reports have a governance appraisal is a part of the corporate governance framework to ensure full consideration is given to:

- regulatory and statutory compliance;
- strategic, operational and financial risks;
- social, environmental and equalities policies; and
- communication issues.

The strategic objectives are delivered through the strategic programmes that are approved by Board. LPFA has collaborated with Lancashire County Pension Fund in order to establish a pensions services organisation called Local Pensions Partnership Ltd (LPP). As of April 2016 the implementation and delivery of many of LPFA's functions has been delegated to LPP. This includes asset management, pension administration and risk management. The LPFA Board monitors the performance of the LPP on a quarterly basis. Formal agreements are in place between LPFA and LPP to manage the delivery of these functions.

The LPFA Board has an agreed Service Level Agreement with LPP and also exerts influence over LPP as an active shareholder. LPFA has a Shareholder Nominated Director position on the LPP Board. All major decisions, or those which related to LPFA as an administering authority under the LGPS regulations are reserved to the LPFA Board for approval.



The LPFA will publish an Annual Report each year, available to all via the corporate website, presenting an objective and understandable account of the LPFA's achievements, financial position and performance. In addition internal benchmarking had been carried out against the Value for Money (VfM) standard, with an action plan developed, and the position will be monitored to identify what will replace this going forward.

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**Measuring the quality of services for users, ensuring they are delivered in accordance with the LPFA's objectives and for ensuring that they represent the best use of resources and value for money.**

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 The LPFA has three strategic objectives addressing:

- innovation in investments and management of liabilities;
- partnership working, marketing & value added business;
- operational efficiency and active shareholder Engagement with LPP

Key tasks and projects are identified each year under these objectives and form an integral part of the LPFA's Strategic Policy Statement. These tasks and programmes cascade into plans which contain target dates and KPIs. The KPIs which cover a range of quality and performance measures of the LPFA's services for its users and are actively monitored at Board level.

A programme of continuous review of procedures is maintained to ensure that necessary performance is achieved by cost effective processes and that the services are delivered in accordance with the LPFA's objectives. Our investment strategy is designed for the long term but investments are monitored and performance reported on a quarterly basis. Asset allocation strategies are as efficient as possible in providing the best returns for the appropriate amount of risk.

## Implementing a Vision for the Local Area

Whilst the community aspects of this principle do not apply to LPFA in the same way as they would to a local authority, LPFA focuses on its own community through a targeted approach to service delivery and accountability to the Fund membership and other stakeholders. In carrying out both its investment and business operational activities, LPFA is conscious of the potential impact on the environment, and regularly considered Responsible Investment. This aims to manage the business processes to produce an overall positive impact on stakeholders and society.

The LPFA has in place arrangements designed to encourage the membership to engage with, contribute to and participate in the activities of the LPFA. This is generally via newsletters, questionnaires, , forums and public Board meetings. In addition LPFA has established a representative body called the Local Pension Board. This contains representatives from employers and members and is chaired by an Independent Chair. The Local Pension Board meets throughout the year and reports to the main LPFA Board on an annual basis. (see below)

### **2) Members and officers working together to achieve a common purpose with clearly defined functions and roles**

#### Board Appointments and Responsibilities

Appointments to the Board are the responsibility of the Mayor in accordance with the provisions of SI No. 1815 which require there to be between seven and eleven members, of which one half, excluding the chairman, are to be appointed following consultation with representatives of local government in London. The Mayor may also appoint a deputy chairman.

The appointment process is operated by the GLA, and is by open advertisement and subject to independent scrutiny. The terms and conditions of appointment are set out in a formal letter which includes the length of appointment, remuneration, and details of the role and responsibilities of members. Board members are usually appointed for a period of 3-4 years and usually only serve two appointment periods.

Each member is required by LPFA to complete a competency statement outlining their skills and experience relevant to the appointment, and to undergo regular training.

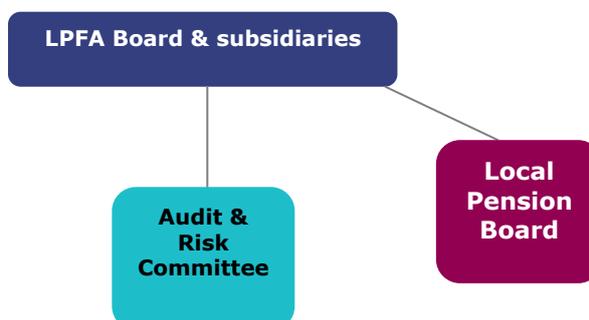
#### Board

The Board has embedded the Constitutional Document, which brings together an underlying set of legislative requirements, governance principles and management processes, and underpins the Board's confidence that there is an effective system in place. The Board Members carry out an annual self-assessment and appraisal process with the Chairman.

There are also a small number of LPFA subsidiaries which are either fully or jointly owned. These relate to investment management activities where it has been

necessary to create an additional vehicle for the efficient management of the investment.

## **Board and Committee Structure Post April 2016**



### **Audit & Risk Committee**

The Committee reviews the internal and external financial statements and reports to ensure they reflect best practice; discusses with the appointed external and internal auditor the nature and scope of each forthcoming audit and considers all reports, and monitors the implementation of audit recommendations. It is also responsible for ensuring an appropriate risk management framework is in place and reviews the activity of the Local Pensions Partnership.

The Committee also:

- Advises the Board on the LPFA's overall risk appetite, tolerance and strategy;
- Oversees and advises the Board on the LPFA's current risk exposures, and future risk strategy;
- Reviews the LPFA's capability to identify and manage new risks and types of risk;
- Advises the Board on risks surrounding any strategic alliances, co-investment processes or joint working, taking external advice where appropriate.

### **Local Pension Board**

Under the New LGPS 2014 Governance Regulations all LGPS authorities are required to have in place a Local Pension Board. The LPFA Local Pension Board is a key element of governance oversight in the LPFA and oversees communications between members and employers to ensure that they are as effective as possible and oversees regulatory compliance issues. The LPFA's Local Pension Board reports back to the LPFA Board. The LPFA Board and LPFA Executive have been formally recorded the importance of the Local Pension Board's input into development of clear relations between employers and members.

### **Executive and officers appointments and responsibilities**

A Constitutional Document clearly defines the functions of the roles of the officers, Board members and Local Pension Board members via:

- Matters reserved for Board;
- Audit and Risk Committee terms of reference;
- Local Pension Board terms of reference;
- Delegated authority to officers; and
- the LPFA's Code of Best Practice (defining the respective roles and responsibilities of the members and officers of the Authority)  
[www.lpfa.org.uk](http://www.lpfa.org.uk)

In addition, Principal Officer responsibilities and powers are regularly reviewed by the Monitoring Officer and distributed to those occupying these positions. The Monitoring Officer is responsible for monitoring compliance.

The s151 Officer is charged with monitoring financial processes, liaison with external and internal audit and maintains links with the Society of London Treasurers (SLT). The LPFA seeks to comply with the principles set out in CIPFA's *The Role of the Chief Finance Officer in Local Government* and ensures effective arrangements are in place for the discharge of the Head of Paid Service function exercised by the Managing Director.

Clear job descriptions for all staff, together with staff handbooks, financial regulations and relevant Codes of Practice are promulgated as the basis upon which the LPFA conducts operations, and authorises officers to act on behalf of the LPFA within a defined framework of procedural governance.

### **Principal Officers**

The LPFA's Principal Officers consist of the Managing Director, s151 Officer and Monitoring Officer. The Principal Officers review the business planning and budget process annually.

The Principal Officers also review the governance framework at least annually and lead on generating improvements in risk management and monitoring audit recommendations. As a consequence of the establishment of the Local Pensions Partnership many of the Executive functions have been delegated to the LPP. There remains a small number of Principal Officers and support staff at the LPFA who perform statutory functions, oversee the LPP and report performance to the LPFA Board.

### **3) Promoting values for the LPFA and demonstrating the values of good governance through upholding high standards of conduct and behavior.**

LPFA has effective arrangements to ensure compliance with all applicable statutes and regulations, and other relevant statements or guidance on best practice internal financial controls such as:

- financial regulations,
- authority levels for placing orders or approving payments,
- spend within the agreed budget, and
- reconciliation of invoices with orders

are in place to ensure lawful expenditure.

LPFA aims to comply with the highest standards of corporate governance applicable which are reflected in this framework approved by the Board and published.

Formal codes of conduct are in place which defines the standards of personal behaviour to which individual Board Members and all employees are required to subscribe.

LPFA's constitutional document sets out the following codes of conduct under LPFA's standing orders members and officers are asked to disclose any personal or prejudicial interests:

#### **Code of best practice for Members**

The Code is enforced under the Authority's power of self regulation and sets out the rules relating to disclosure of personal interests and related party transactions. It incorporates the seven Nolan Principles of Conduct and is further underpinned by Local Guidance on Gifts and Hospitality for Board Members.

The registers of interests declared by Board members and Principal Officers are available for public inspection and are reviewed regularly by the Audit & Risk Committee.

LPFA also publishes registers of gifts and hospitality for Board and Principal Officers on a quarterly basis.

#### **Conflicts Policy**

This policy supports the code of best practice for Board Members and seeks to identify and manage conflicts associated with the investment of the fund. The Monitoring Officer is responsible for monitoring any conflicts or perceived conflicts associated for ensuring that the Conflicts Policy is followed. Legal Counsel's opinion was received when developing the policy. On an annual basis Board Members are required to complete a statement declaring their compliance with the Policy and it is their responsibility to keep the Monitoring Officer updated in relation to their personal interests.

## Code of Conduct for Staff

This code is similar to that for Members, incorporating the principles of conduct underpinning public life. Staff are required to carry out their work in accordance with a number of formal codes of practice and standing orders as approved by the Board. Where so designated, failure to comply with these codes may invoke disciplinary action.

## Redress

The LPFA operates a customer complaints procedure which is publicly advertised to all scheme members. [www.yourpension.org.uk](http://www.yourpension.org.uk)

The LGPS administration is also subject to a regulatory Internal Disputes Resolution Procedure (IDRP) and The Pensions Advisory Service (TPAS) can help any member in seeking redress.

These procedures are open to high level independent review, as relevant, by TPAS, the Pensions Ombudsman, and the Local Government Ombudsman.

The codes of conduct above will be enforced by the Board under the Authority's power of self-regulation and by recommendation to the Mayor of London where the Board is of the opinion that a member of the Board is no longer suitable to continue as a Board member.

### **4) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

## Conduct of Board Business

LPFA Standing Orders, which are similar to those found in all local authorities, prescribe all activities relating to the conduct of Board business. These Standing Orders represent the fundamental underpin of corporate governance and may only be amended by formal approval of the Board.

The Board may set up standing Committees to consider more detailed aspects of the business. There are formal terms of reference and key responsibilities defined for these Committees, but there is no delegation of executive powers outside the specific terms of reference.

There is one Committees ; theAudit & Risk Committee. The Local Pension Board was set up LGPS Governance Regulations 2014 and has been in place since April 2015.

The Board and Principal Officers use specialist advisors on an ad hoc basis. There is a preference for the Board to have skills within the LPFA or its delivery partner LPP, as opposed to procuring general external investment advice.

The Principal Officers of the LPFA have certain statutory and formal responsibilities which are described in a formal statement. Executive powers are delegated to the Managing Director under a scheme of delegation which sets the parameters within which the officers can implement Board decisions and operate the day-to-day

business of LPFA. In addition a number of powers are reserved as matters to be purely considered by Board.

Meetings of the Board are held five times a year and Committee meetings at least three or four times a year.

### **Board as an Employer**

LPFA Board, like all boards, has certain moral and legal responsibilities to those who work for it and a duty to develop the skills, experience and potential of those individuals to further the objectives of the organisation. The Board as an employer is responsible for ensuring that the organisation:

- complies with employment law;
- avoids discrimination of any kind against potential or actual employees;
- has a statement of terms and conditions of employment and clear policies on a wide range of human resource management issues such as promotion, disciplinary and grievance procedures and staff development; and
- observes health and safety and environmental requirements.

The Board will be responsible for the recruitment of the Managing Director and senior employee succession. Any Board Member taking part in such a recruitment exercise will need to be familiar with employment legislation and any codes of best practice in relation to equal opportunities issues, and should receive training in recruitment and selection before serving in that capacity.

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### **Ensuring Compliance with law and review of standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which define how decisions are taken and the processes and controls required to manage risks.**

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The LPFA's Constitutional Document sets out the standing orders, a scheme of delegation and other governance arrangements. Elements of this document are amended throughout the year as required. The constitutional framework is a cornerstone of good governance at the LPFA.

The key area for compliance from an operational point of view is compliance with the Local Government Pension Scheme (LGPS) Regulations 2014. Compliance is assured through rigorous staff training programmes, a dedicated technical team who are members of the industry-wide Technical Group and a pensions administration computer system specifically designed for the LGPS. The LPFA's investments are managed in line with the LGPS (Management and Investment of Funds) Regulations 2009 with compliance monitored by the Board and Managing Director.

Other laws applicable to most organisations are managed via a combination of specific Principal Officer accountabilities. LPFA's Monitoring Officer provides an overarching view of new legislation and reports actions to the Board when required. LPFA's delivery partner LPP is also tasked with keeping the LPFA updated of significant legislative change.

The system of financial compliance is based on the internal control framework, practice and procedure notes, administration (including segregation of duties), management supervision and a system of delegation and accountability.

In particular the system includes comprehensive budgeting systems, regular reviews of periodic and annual performance reports which indicate actual performance against plans plus setting targets to measure financial and specific performance. LPFA is assisted in fulfilling this activity via a service level agreement with LPP.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely period.

The LPFA has various processes in place to examine the quality of the data. These include a central electronic performance reporting system integrated with quality checks; employers' data cleansing exercise and monthly returns; member online service that reduces risk of human error; and data monitoring against the Pensions Regulator Record-Keeping Guidance 2010 on Common and Conditional Data. The Pensions Regulator has also issued Code of Practice 14 which obliges the LPFA to maintain certain standards of data management, risk management processes and communication with members and employers.

## **Risk Management**

The Board has overall responsibility for risk management. Board members hold an annual session to set the risk appetite and risk culture of the organisation and review the risk management framework. High level risks are identified by the Principal Officers. These are identified, along with appropriate control measures, in the Corporate Risk Register.

Audit & Risk Committee has responsibility for ensuring that the procedures are appropriate and that key risks are being identified, monitored and managed effectively and economically. These processes are reviewed by both Internal and External Audit on behalf of the Audit & Risk Committee as part of the overall internal control framework, and support the Annual Governance Statement which is published in the Statement of Accounts. The Audit & Risk Committee provides the assurance to Board that the arrangements in relation to risk management are robust and functioning.

Sitting underneath the Corporate Risk Register are team risk registers which manage risks on a localised scale. Teams review these at least every quarter and all staff receive an annual risk identification session, which links risk management to the achievement of the strategic objectives and completion of the business plans. Each entry in the register is assessed to identify control measures currently in place to reduce or mitigate the risk and controls to be developed where gaps are pinpointed. The Corporate Risk Register is reviewed by the Managing Director and Audit & Risk Committee quarterly. Risks are also assessed during projects and programmes, following the PRINCE2 methodology.

## **Fraud and Irregularity**

Through a code of practice on Irregular Conduct in the Workplace, LPFA operates a policy on fraud awareness and irregularity, including independent reporting arrangements. A Fraud Control Framework, reviewed annually by Audit & Risk Committee, is in place which serves to increase awareness amongst stakeholders of actions taken to mitigate the risk of fraud. This also includes an action plan specifically relating to raising awareness amongst staff.

All staff are made aware of the provisions of the above documents, their rights and protections, and irregularity reporting channels (whistleblowing) through Public Concern at Work, the Chairman of Audit & Risk Committee, the s151 Officer, and the Monitoring Officer.

Complaint handling is carried out in line with the Internal Disputes Resolution Procedure/Complaints Procedure (IDRP) which is a public policy statement and available on the internet. The procedure sets out the channels available for internal and external stakeholders wishing to raise an issue, and the timescale in which LPFA is expected to provide a full reply. All complaints are reported to the Audit & Risk Committee and the Board quarterly including a high level snap shot of LPFA's response.

## **Role of Audit & Risk Committee in Review**

The Audit & Risk Committee, whose functions are in line with the CIPFA's Audit Committees: Practical Guidance for Local Authorities, and with the UK Code of Corporate Governance is responsible for reviewing internal and external financial statements, and for monitoring the effectiveness of internal control arrangements. Both internal and external auditors report to the Audit & Risk Committee and have direct access to the Chairman of the Committee if required. A review of effectiveness of the Audit & Risk Committee is undertaken every three years and action plan following that review is implemented.

## **Budget Setting Process**

There is a formal process and timetable set internally for determination of the annual budget requirements. The draft budget is reported to the Board for approval prior to submission to the Mayor by 31<sup>st</sup> December. The submission is also circulated to London boroughs for information and comment on the levy implications. Any comments received from the Mayor by 31<sup>st</sup> January are considered by the Board, when it approves the final budget, in early February. The annual levy must be set by 14<sup>th</sup> February. The final budget is published when the levy notices are issued to each borough.

## **Strategic Policy Statement**

The draft Strategic Policy Statement for the coming three-year period is approved by the Board for submission to the Mayor by 31<sup>st</sup> December and also for circulation to London boroughs. Any changes arising from this consultation process are incorporated into the final Plan before it is published.

The key actions set out in the Strategic Policy Statement are monitored on a quarterly basis by the Board and the Managing Director reports to the Board on

progress and any remedial action. This is to ensure effective management of change and transformation. A copy of the monitoring report is sent to the Mayor.

An annual performance report is published as part of the annual report and accounts documentation.

### Annual report and accounts

There is a statutory requirement for the LPFA to prepare an annual statement of accounts for public inspection and audit. LPFA also produces a summary annual report of its activities which is circulated to all scheme members.

- 5) The full documentation of the annual report and accounts is published on the LPFA website. It comprises Pension Fund Annual Report, Statement of Accounts, Audit of Accounts, and Policy Statements. Developing the capacity and capability of members and senior officers to be effective**

### Board Member Training and Induction

The Board meets five times a year with all committees meeting at least three times a year. The Terms of Reference of each committee are set out in the Constitutional Document which includes details of committee membership, arrangements for meetings, specific duties of the committee and any powers delegated to each committee by the Board.

Before specific Board meetings, time is set aside for training and familiarisation - this tends to be a formal presentation on specific topics relevant to all Board Members. At the end of each calendar year, LPFA's Chairman meets with Board Members individually after they have completed a Self-Assessment Form to identify their strengths and weaknesses against an in-house skills matrix. The Chairman also sets objectives for the following year for members where this is required.

The Chairman and Managing Director then agree the Programme of Collective and Individual Training, informing each member accordingly.

New Board Members complete a Self-Assessment Form as part of their induction process which is laid down in the Constitutional Document. All members receive their own copy of the Constitutional Document which sets out internal governance arrangements, standing orders, matters reserved for Board, terms of reference of the committees, and Code of Conduct for members. As part of the induction, members are given a schedule of relevant national conferences which they are encouraged to attend. Members are also required to spend time within LPFA in the early months of their appointment to develop relationships and understand basic operational processes.

All Board Members, in addition, attend an annual Board Member Away-Day where current challenges to the LPFA are discussed and future strategy developed. These events are off-site and involve external speakers relevant to the topic to be discussed. Any decisions taken at the Away-Day are ratified by Board at its next meeting.

The LPFA complies with the requirements of the CIPFA *Learning and Skills Framework*.

### **Local Pension Board Member Training and Induction**

The LPFA has an induction and training programme in place for the members of the Local Pension Board. New members complete a Self-Assessment Form as part of their induction process, the outcome of which is fed into an individual training plan and used to identify areas of collective Local Pension Board members training. At least one training session is held at each LPB meeting.

### **Staffing and administration**

The staffing structure has been reduced significantly following the establishment of LPFA's delivery partner the Local Pension Partnership (LPP). Many of the historic staff have been transferred to the LPP, resulting in a small core of staff remaining at LPFA. This comprises a Managing Director, statutory officers, support staff and staff engaged with some of LPFA's third party pension administration contracts.

Administration is supported by a series of internal codes of practice approved by the Board, some of which are subject to disciplinary action on default, and by detailed procedure notes and computerised systems.

## **6) Engaging with local people and other stakeholders to ensure robust public accountability**

LPFA has established clear channels of communication with all stakeholders on its strategic aims, objectives and performance, with procedures in place to monitor effectiveness. A Communication Policy Statement is available on the website and our stakeholders include fund members, employers, government, Communities and Local Government, taxpayers, and industry influencers such as Pensions and Lifetime Savings Association (PLSA).

Board Member appointments are made by the Mayor of London under an open and transparent process operated by the Greater London Authority (GLA). LPFA makes available publicly the names and relevant interests of its Board Members.

LPFA publishes a series of statutory and other documents on its website, to stakeholders in full or summarised form.

Public Board meetings and other open meetings are held both for members of the scheme and for employers.

The communication channels are as follows:

- Members of the scheme – newsletters, guides and the website provide information whilst the annual fund members' forum, Local Pension Board and regular surveys provide opportunity for feedback.
- Scheme employers – monthly newsletter, guides and website provide information whilst an annual employer forum and meeting programme provide opportunity for feedback.

- Greater London Authority – regular meetings plus submission of the Strategic Policy Statement for comment.
- Wider pensions community – representation on national and local forums – Local Government Pensions Committee (LGPC) of the LGA, Officers Advisory Group to the LGPC, CIPFA Pensions Panel, CLASS Management Team, London Pension Managers Group, Pension and Lifetime Savings Association (PSLA), plus attendance at all major pensions conferences provide an opportunity to exchange information.
- Wider community – publication of annual report and accounts including a performance report, website (browse aloud enabled).

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**Incorporating good governance arrangements in respect of partnerships and other group working, and reflecting these in the Authority’s overall governance arrangements**

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LPFA has established, and is 50% owner of, a pensions services organisation called Local Pensions Partnership. A significant number of functions have been delegated to the LPP, with the LPFA Board remaining responsible for monitoring the performance of the LPP and in some instances the LPFA Board remains ultimately responsible for the function. This is governed by formal documentation.

LPP is overseen by the LPFA Managing Director and the LPFA Board. Monitoring reports against the service level agreement are provided to the LPFA Board on a quarterly basis.

Principles of good governance in use in partnership relationships (like the partnerships with other LGPS funds, and agency contracts and out relationship with LPP) include:

- Comprehensive and agreed Service Level Agreements (SLA) with clear escalation routes and amendment procedures;
- Promoting the LGPS procurement frameworks whenever possible;
- Encouraging regular meetings covering – day-to-day issues, contractual/SLA issues, and wider pensions issues;
- Monthly updates published to inform and invite comment;
- All significant changes to processes and documentation are passed to clients for consultation; and
- Implementation of SLA with LPFA Fund Employers.

## **Role of the internal and external audit in ensuring scrutiny of decisions**

### **External Review**

LPFA is subject to external audit by auditors appointed by the Local Audit and Accountability Act 2014 to ensure that public funds are properly safeguarded and accounted for and are used economically, efficiently and effectively, in accordance with the statutory and regulatory requirements.

LPFA's activities are reviewed by the Mayor and GLA officers. In certain circumstances as specified in the Pensions Act, LPFA can be subject to investigation and possible sanction by the Occupational Pensions Regulatory LPFA.

External Audit is provided by Grant Thornton who were appointed for five years as the LPFA auditors following a procurement process managed by the Audit Commission. Work is performed to comply with international auditing standards. The auditors take a risk based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission. Grant Thornton report on the audit of the LPFA's financial statements and on arrangements for securing value for money. The audit includes a review of the systems of internal control, and the Annual Governance Statement.

### **Internal Audit**

Internal Audit is outsourced to an independent audit firm to carry out specified internal audit work. The relationship with KPMG takes into account the requirements of the *CIPFA Statement on the Role of the Head of Internal Audit* (2010). The work is performed to standards defined in the Government Internal Audit Standards and meets the requirements of the Chartered Institute of Public Finance and Accountancy. The work of internal audit is informed by an analysis of the risks to which LPFA is exposed. The internal audit plan is developed with, and agreed by, the Head of Internal Audit and Principal Officers. The internal audit plan is presented to and authorised by the Audit & Risk Committee.

During the year the Head of Internal Audit reports include internal audit's independent opinion on the adequacy and effectiveness of the LPFA's system of control. The internal audit service is provided by KPMG appointed on 1 April 2013.

### **Review of effectiveness: Annual Review and Reporting**

Each year LPFA carries out a review of its governance arrangements to ensure compliance with this Code, the delivery of good governance within the local government framework and current good practice.

The purpose of the review is to provide assurance that governance arrangements are adequate and operating effectively, or to identify action which is needed to ensure effective governance in the future.

The outcome of the review takes the form of an Annual Governance Statement prepared on behalf of the Managing Director.

The preparation and publication of the Annual Governance Statement meets the statutory requirement of the Accounts and Audit Regulations which requires LPFA

to “conduct a review at least once in a year of the effectiveness of its system of internal control” and to prepare a statement on internal control “in accordance with proper practices”.

Principal Officers are given responsibility for:

- overseeing the implementation and monitoring the operation of the Code;
- reviewing the operation of the Code in practice on an annual basis;
- reporting annually to Audit & Risk Committee on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice; and
- preparing an Annual Governance Statement and action plan to be made available annually.

### Public Policy Statements

The following statements of policy are an integral part of the Code of Corporate Governance. They are either a statutory requirement or comply with best practice. Publication is made primarily on the website (at [www.lpfa.org.uk](http://www.lpfa.org.uk)) and availability is advertised in published documents.

The key documents include

- Statement of Investment Principles;
- Responsible Investment Statement;
- Risk Management Policy Statement;
- Constitutional Document;
- Treasury Management Strategy;
- Gifts and Hospitality Policy
- Strategic Policy Statement;
- CIPFA Code of Practice;
- Pensions Administration Strategy;
- Funding Strategy Statement;
- LGPS Governance Policy Statement;
- Exercise of Discretions under LGPS;
- Communications Policy Statement;
- Fraud Control Framework;
- Corporate Equalities Plan;
- Environmental Plan;
- Health & Safety;
- Freedom of Information Scheme;
- Independent Dispute Resolution Procedure; and
- Complaints Handling.

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