



**LGPS LOCAL PENSION BOARD**

**THURSDAY, 10 JANUARY 2019 at 2.00 PM**

**COMMITTEE ROOM ONE - COUNTY OFFICES, NEWLAND, LINCOLN LINGS  
LN1 1YL**

**MEMBERS OF THE BOARD**

**Independent Chair** (non-voting): Roger Buttery

**Employer Representatives** (voting): Councillor M A Whittington and  
Kirsty McGauley

**Scheme Member Representatives** (voting): Ian Crowther and David Vickers

**AGENDA**

<b>Item</b>	<b>Title</b>	<b>Pages</b>
<b>1</b>	<b>Apologies for Absence</b>	
<b>2</b>	<b>Declarations of Members' Interests</b>	
<b>3</b>	<b>Minutes of the previous meeting held on 11 October 2018</b>	3 - 10
<b>4</b>	<b>Pensions Administration Report</b> <i>(To receive a report from Yunus Gajra (Business Development Manager – West Yorkshire Pension Fund), which updates the Board on current administration issues within the Fund)</i>	11 - 84
<b>5</b>	<b>The Pensions Regulator Data Scores</b> <i>(To receive a report from Yunus Gajra (Business Development Manager – West Yorkshire Pension Fund), which updates the Board on the Data Scores for the Lincolnshire Pension Board which were reported to the Pensions Regulator)</i>	85 - 92

- |           |  |           |
|-----------|--|-----------|
| <b>6</b>  | <b>Pension Fund Update Report</b><br><i>(To receive a report from Jo Ray (Pension Fund Manager), which provides an update on Fund matters and any current issues)</i>  | 93 - 110  |
| <b>7</b>  | <b>Pension Fund External Audit Report</b><br><i>(To receive a report from Claire Machej (Accounting, Investment and Governance Manager), which summarises the findings from the work undertaken by the Council's External Auditors, KPMG, in giving their opinion on the Pension Fund Accounts and Annual Report)</i>  | 111 - 156 |
| <b>8</b>  | <b>Mazars External Audit Presentation</b><br><i>(To receive a report which introduces a presentation from the Fund's new external Auditor - Mazars)</i>  | 157 - 166 |
| <b>9</b>  | <b>Employer Monthly Submissions Update</b><br><i>(To receive a report from Claire Machej (Accounting, Investment and Governance Manager), which provides the Board with up to date information on Employer Monthly Submissions for the second quarter of the financial year 2018/19)</i>   | 167 - 172 |
| <b>10</b> | <b>Border to Coast Governance Review</b><br><i>(To receive a report from Jo Ray (Pension Fund Manager), which details the governance structure of Border to Coast, identifying the key stakeholders and their respective roles)</i>  | 173 - 180 |
| <b>11</b> | <b>Border to Coast Pensions Partnership Joint Committee Scheme Member Representative</b><br><i>(To receive a report from Claire Machej (Accounting, Investment and Governance Manager) regarding the addition of a non-voting scheme member representative to the Border to Coast Pensions Partnership Joint Committee, and the process for appointing the new member)</i> | 181 - 188 |
| <b>12</b> | <b>Training Needs</b><br><i>(To allow the Board to identify any possible training needs)</i>   |           |
| <b>13</b> | <b>Work Plan</b><br><i>(This item provides an opportunity for the Board to agree the business for consideration at forthcoming meetings)</i>   |           |

Published on Wednesday, 2 January 2019

Should you have any queries on the arrangements for this meeting, please contact Emily Wilcox via telephone 01522 553787 or alternatively via email at [emily.wilcox@lincolnshire.gov.uk](mailto:emily.wilcox@lincolnshire.gov.uk)



## LGPS LOCAL PENSION BOARD 11 OCTOBER 2018

### PRESENT:

**Independent Chair:** Roger Buttery

**Employer Representatives:** Councillor M A Whittington and Kirsty McGauley

**Scheme Member Representatives:** Ian Crowther and David Vickers

Councillors: attended the meeting as observers

Officers in attendance:-

David Forbes (County Finance Officer), Claire Machej (Accounting, Investment and Governance Manager) and Jo Ray (Pension Fund Manager)

### 18 APOLOGIES FOR ABSENCE

There were no apologies for absence.

The Chairman welcomed Laura Andrikopolous (Senior Consultant and Actuary, Hymans Robertson), who was observing the meeting to gain an insight into the governance of the Local Government Pension Scheme.

### 19 DECLARATIONS OF MEMBERS' INTERESTS

Councillor M A Whittington declared that his wife was in receipt of a pension from the Fund.

### 20 MINUTES OF THE MEETING OF THE LGPS LOCAL PENSION BOARD HELD ON 25TH JULY 2018

In relation to the minutes of the last meeting, the Chairman suggested that Mike Norman (Mazars, external audit) attend the January 2019 meeting of the Board.

### RESOLVED:

1. That the minutes of the meeting held on 25<sup>th</sup> July 2018 be approved as a correct record and signed by the Chairman.
2. That Mike Norman be invited to the meeting of the Board scheduled for Thursday 10<sup>th</sup> January 2019.

21 PENSIONS ADMINISTRATION REPORT

The Business Development Manager (West Yorkshire Pension Fund) updated the Board on current administration issues within the fund.

Attention was drawn the two underperforming Key Performance Indicators (KPI)'s:

- DG Nomination Form Received – It was noted that most of the data had been received, but records had not yet been updated, meaning that data would be available if it was required. The Business Development Manager was not concerned by the KPI not being reached in this instance.
- Monthly Posting – This was due to the amount of queries received on returns from Employers. It was noted that the percentage for monthly posting had increased quite significantly despite the target not being met.

The following points were also highlighted:

- Figures showed a reduction in the active scheme membership, which was due to backlog of forms received from payroll providers.
- Although the Overall Customer Satisfaction Score for April to June 2018 was 72.1%, there had only been one complaint received, which was regarding opting out of the scheme. It was noted that this was more of an employer issue.
- The results of the employer survey had suggested that forms were not straightforward to fill in. The Committee were assured that this area was being investigated to see what improvements could be made to the forms.
- 20,506 Annual Benefit Statements (99.2% of the active membership) had been produced by the statutory deadline of 31<sup>st</sup> August. It was noted that employers were asked to submit their information as soon as possible due to the lead time taken to process the information.
- 25,960 Deferred benefit Statements had been produced by the statutory deadline, which represented 100% of the deferred membership.
- West Yorkshire Pension Fund (WYPF) had taken on 6 additional Fire clients, and in addition, the London Borough of Hounslow had joined the West Yorkshire/Lincolnshire Pension Fund shared service partnership from 1<sup>st</sup> August 2018.
- Recruitment was taking place to ensure that there would be no impact on existing clients and services as a result of the intake of new clients, including recruitment in Lincolnshire.
- There was a new requirement to report on data quality and data score for The Pensions Regulator. Authorities had been advised to adopt their own approach for scoring their 2017/18 conditional data for submission to the scheme return. A Data Governance Officer would be recruited to assist with this.

- The WYPF had won in both of their two categories at the 2018 LAPF Awards, as well as being chosen as for the LGPS Fund of the year (assets over 2.5 billion) – Administration Award.

Questions and comments from members and officers included the following:

- It was queried whether there were any reasons that the overall customer satisfaction score was lower between April to June in both 2017 and 2018. The Business Development Manager felt there was nothing specific that could be causing the lower percentage score.
- It was questioned why there were 20,506 Annual Benefit Statements produced when figures showed that there were 25,239 active members in the scheme. The Business Development Manager explained that discrepancies were likely to be a result of some members having multiple employers within the scheme, and some due to contacts being lost. It was agreed that this would be looked into further.
- In response to a question, it was explained that, where there was no current address, the Deferred Benefit Statements were produced but not sent out to members.
- It was clarified that the Fund was actively trying to trace the 'lost members', and was engaging with the Tracing Bureau to assist with this.
- One member asked whether there would be an office in Hounslow following their joining the shared service partnership. It was noted that there would not be an office in Hounslow as there had been no staff TUPE'd over.
- The Board congratulated the Administrator on their recent success at the LAPF awards.
- Members were assured that the Guaranteed Minimum Pension reconciliation exercise was a priority in order to meet the deadline for sending the data to HMRC by the end of October 2018.
- Officers were of the view that £2 tolerance was a reasonable amount for the Guaranteed Minimum Pension reconciliation exercise.

RESOLVED:

That the report and comments made be noted.

## 22 PENSION FUND UPDATE REPORT

The Pension Fund Manager updated the Board on Fund Matters over the Quarter ending 30<sup>th</sup> June 2018, highlighting that the Pension Fund had increased in value by £124.6m (or 5.4%).

It was noted that fixed interest was slightly below the agreed tolerance weighting at 11.5%, compared to a lower tolerance of 12%. The Board were referred to Appendix A of the report, which set out the Fund's distribution as at 30<sup>th</sup> June 2018.

The Pension Fund Manager then discussed the following:

**LGPS LOCAL PENSION BOARD****11 OCTOBER 2018**

- Responsible Investment
- TPR Checklist Dashboard
- An update on Breaches Reporting
- Risk Register Update
- Asset pooling update

The Pension Fund Manager highlighted that there were two new Councillor's on the Pensions Committee, and three other members of the Committees were yet to complete the Pension Regulator's toolkit training. It was noted that the Pension Fund Manager was in discussions with Democratic Services in an attempt to make training compulsory for members of the Pensions Committee in the future.

It was highlighted that figures from the leavers' backlog at Lincolnshire County Council had fallen from nearly 3,000 in January and were at 168 as of October 2018. However, it was reported that there was a backlog of around 1000 current cases

Questions and comments from members and officers included the following:

- The Board supported a move to compulsory training for the Pensions Committee.
- The Board were in agreement that the Chairman would write to the Executive Director for Children's Services (with responsibility for People Services) at Lincolnshire County Council to acknowledge the work that had been done on clearing the historic backlog for leavers, but to express concerns that backlogs were forming in current work areas..

RESOLVED:

1. That the report be noted.
2. That the Chairman of the Board write to the Executive Director for Children's Services to raise concerns around the backlog forming in current workloads.

*11:25am – The meeting adjourned for a short break*

## 23 PENSION FUND RISK REGISTER REVIEW

*11:30am – The meeting reconvened*

The Committee received a report from the Accounting, Investment and Governance Manager which provided the Board with the opportunity to scrutinise in detail three risks from the Pension Fund Risk Register.

Members were referred to Appendix A of the report, which provided a copy of the Lincolnshire Pension Fund's Risk Register.

The Accounting, Investment and Governance Manager asked the Board to consider and review the following three risks and whether they thought the risks identified on the risk register were appropriate:

- Economic uncertainty to the UK leaving the EU
- Risks associated with Asset Pooling
- The maturing of the fund

It was noted that following a recommendation at the Pensions Committee on the 4<sup>th</sup> October 2018, the following addition to the risk register was agreed:

- Risk 25 - 'Failure to meet requirements as a responsible investor – across all ESG risks' be amended to include the risk of climate change and the move to a low carbon economy

Questions and comments from members included the following:

- The Board were satisfied that all three of the risks, as shown above, were appropriate and should remain the risk register under their current risk rating.
- Members of the Board raised concerns over the up-coming retirement of two senior finance managers, including the County Finance Officer. Members were aware that the current County Finance Officer had extensive Pensions experience and were seeking reassurance that the new post holder would also have some knowledge of pensions processes. It was agreed that this would be raised with the Committee at their meeting in January to consider if this risk should be added into the risk register as part of Risk 3 Loss of key staff and loss of knowledge and skills.
- Members of the Board also discussed the risk associated with completion of the Guaranteed Minimum Pension Reconciliation currently being undertaken by West Yorkshire Pension Fund. It was agreed that this would be raised with the Committee at their meeting in January to consider if this risk should be added into the risk register as part of Risk 4 Calculating and paying pensions correctly.

RESOLVED:

1. That the report be noted.
2. That the Board were satisfied that the risks identified on the register were appropriate.
3. That two additions to existing risks on the risk register would be proposed to the Pensions Committee at their meeting in January 2019.

## 24 EMPLOYER DATA SUBMISSIONS UPDATE

The Board received a presentation from the Accounting, Investment and Governance Manager which provided detail and explanation on the Employer Data Submissions for the first four month of the financial year.

The presentation highlighted the following:

- The contribution monitoring process
- Findings from the contributions monitoring process for the year to date (April to July 2018). This showed that generally, payment of contributions was good, but issues arose from the submission of accurate data on a timely basis. From April to July 2018, nine fines had been issued to employers.
- The Accounting Investment and Governance Manager outlined some of the common causes of late contribution payments and some common causes of late data submissions.
- It was noted that various forms of support were offered to employers to help with payment and data submissions.

Members reviewed the late contributions and late data submissions data for April 2018 to July 2018.

Members asked for confirmation that queries on late data submissions/contributions payments were being followed up on a timely basis. Officers explained that this formed part of the monthly process, but there would be occasions when more historical data will be revisited if required.

Members asked whether the value of fines for late data submissions and contribution payments should be increased. Officers explained the level of fines is set to remind employers that there is a time impact on submitting late or inaccurate data. Officers felt that it would be more beneficial to offer additional support to employers to help with timely and accurate data submissions, rather than raise the value of fines.

Members of the Board requested that the Employer Data Submissions Update be provided as a quarterly report.

RESOLVED:

1. That the report and comments made be noted.
2. That the Employer Data Submissions Update be provided on a quarterly basis.

## 25 TRAINING NEEDS

The Pension Fund Manager informed members of the Board that training for the Committee and Board members had taken place on the 11<sup>th</sup> September which focussed on asset allocation in a post pooling world.

The Board were reminded that Valuation training would take place on the afternoon of 26<sup>th</sup> February, and both members of the Board and Committee were invited to attend.

It was noted that the Pension Fund Manager would continue to update both the Committee and the Board as suitable training courses arose.

26     WORK PROGRAMME

The Board expressed an interest in looking at the overall governance of the Border to Coast Pensions Partnership.

Laura Andrikopolous (Hyman Robertson) thanked the Board for letting her observe and commented that the Board looked to be engaged and operating well.

The meeting closed at 12.57 pm

This page is intentionally left blank

**Open Report on behalf of Pete Moore - Executive Director of Finance and Public Protection**

Report to:	<b>Lincolnshire Pension Board</b>
Date:	<b>10 January 2019</b>
Subject:	<b>Pensions Administration Report</b>

**Summary:**

This is the quarterly report by the Fund's pension administrator, West Yorkshire Pension Fund.

Yunus Gajra, the Business Development Manager from WYPF, will update the Board on current administration issues.

**Recommendation(s):**

That the Board note the report.

**Background**

**1.0 Performance and Benchmarking**

1.1 WYPF uses workflow processes developed internally to organise their daily work with target dates and performance measures built into the system. The performance measures ensure tasks are prioritised on a daily basis, however Team Managers have the flexibility to re-schedule work should time pressure demand.

1.2 The table below shows the performance against key areas of work for the period 1 June 2018 to 30 November 2018.

<b>LPF - KPI's for the Period 1.6.18 to 30.11.18</b>					
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT
AVC In-house (General)	82	10	81	85	98.78
Age 55 Increase LG	2	20	2	85	100
Article 4 Payment Own Right LG	19	10	17	85	89.47
Change of Address LG	226	5	217	85	96.02
Change of Bank Details LG	87	5	73	85	83.91

LPF - KPI's for the Period 1.6.18 to 30.11.18					
DG Nomination Form Received LG	787	20	787	85	100
DWP request for Information LG	22	10	21	85	95.45
Death Grant to Set Up LG	40	5	40	85	100
Death In Retirement LG	139	5	125	85	89.93
Death In Service LG	8	5	7	85	87.5
Death on Deferred LG	8	5	8	85	100
Deferred Benefits Into Payment Actual	235	5	223	90	94.89
Deferred Benefits Into Payment Quote	279	35	269	85	96.42
Deferred Benefits Set Up on Leaving	1050	20	1022	85	97.33
Divorce Quote LG	51	20	48	85	94.12
Enquiry LG	6	5	6	85	100
General Payroll Changes LG	140	5	139	85	99.29
Initial Letter Death in Service LG	8	5	8	85	100
Initial letter Death in Retirement LG	139	5	138	85	99.28
Initial letter Death on Deferred LG	8	5	8	85	100
Life Certificate Received LG	7	10	6	85	85.71
Monthly Posting	742	10	516	95	69.54
NI Modification LG	8	20	8	85	100
Pension Estimate	317	10	274	75	86.44
Refund Payment	143	10	139	95	97.2
Refund Quote	114	35	114	85	100
Retirement Actual	123	3	112	90	91.06
Set Up New Spouse Pension LG	82	5	70	85	85.37
Spouse Potential LG	8	20	8	85	100
Transfer In Actual	16	35	14	85	87.5
Transfer In Quote	53	35	53	85	100
Transfer Out Payment	19	35	18	85	94.74
Transfer Out Quote	80	20	70	85	87.5

Reasons for underperforming KPI's:

Change of Bank details	Although not done within target days all changes actioned in time for payroll to enable pension to be paid to the correct account.
Monthly Posting	Files that cannot be validated because of errors, queries, mismatches etc. Average time taken across all employers is less than 10 days.

## 2.0 Scheme Information

2.1 Membership numbers as at December 18 were as follows:

Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	24,479	27,476	1,412	21,132	2,516
Councillors	0	39	0	43	-
<b>Totals nos</b>	<b>24,479</b>	<b>27,515</b>	<b>1,412</b>	<b>21,175</b>	<b>2,516</b>
<b>Change</b>	<b>+2,339</b>	<b>+287</b>	<b>+156</b>	<b>+656</b>	<b>+634</b>

2.2 Age Profile of the Scheme

Status	Age Groups												TOTAL
	U20	20-25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	61-65	66-70	70+	
Active	337	1610	1602	2124	2689	3075	4226	4037	2999	1487	231	63	24479
Beneficiary Pensioner	88	36	3	2	9	13	40	84	142	239	288	1599	2543
Deferred	4	498	1392	2269	2447	3165	5373	6028	4840	1373	40	5	27434
Deferred Ex Spouse	0	0	0	0	4	1	8	15	11	0	0	0	39
Undecided	18	134	126	138	186	215	251	169	92	56	16	11	1412
Pensioner	0	0	1	1	3	9	45	177	1263	4539	5105	7423	18566
Pensioner Deferred	0	0	0	0	0	0	0	1	2	1	0	0	4
Pensioner Ex Spouse	0	0	0	0	0	0	0	0	1	12	5	6	24
Preserved Refund	64	403	226	182	194	256	302	332	236	164	110	47	2516
Councillors													82
<b>Total</b>													<b>77,100</b>

2.3 Employer Activity

### Academies and Prime Account Schools

Between 1 June 2018 to 30 November 2018, 7 academies became Scheme employers in the Fund.

WYPF are currently working on 13 schools that are in the process of converting to academies or Prime Account Schools.

## Admission Bodies

Between 1 June 2018 and 30 November 2018 there were 5 new Admission Bodies in the Fund.

WYPF are currently working on the admissions for 2 Admission Bodies.

## Employers ceasing Participation

Between 1 June 2018 and 31 August 2018 no employers ceased their participation in LPF.

## Number of Employers in LPF

These changes to employers bring the total number of employers in LPF as at 31 May 2018 to 260

## Admission Bodies in progress and completed

Name	Start date	Current position	Date Completed
Future Cleaning Services	01/08/2016	Employer is now saying they have not deducted contributions and the employees all left within a few months of transferring. Agreeing further actions to be taken.	
Taylor Shaw (Branston)	1/1/18 (with scheme employer acting as interim employer)	Admission agreement now signed by Taylor Shaw and Branston Academy. With LCC Legal for signing and sealing.	
Easyclean (Baston Primary)	1/6/2018	Admission agreement concluded. Employee notified.	29/11/2018
Nightingale Cleaning	1/12/2018	Admission agreement concluded. Member record to be updated once monthly conts are up to date.	
Adults Supporting Adults	Tbc	Contract due to go head early in the New Year. Ensuring that actions are taken for any admission to be in place.	

## 3.0 Praise and Complaints

3.1 Over the quarter January to March we received **2** online customer responses. **121** Lincolnshire member's sample survey letters were sent out and **172 (14.05%)** returned:

Overall Customer Satisfaction Score;

July to September 2017	October to December 2017	January to March 2018	April to June 2018	July to September 2018
89.62%	91.74%	87.34%	72.10%	81.60%

**Appendix 1** shows full responses.

### 3.2 Employer Training

Over the quarter July – September 2018 two Employer sessions were held in Lincolnshire, Your Monthly Return and Employer Responsibilities.

Over the quarter October – December 2018 two Employer sessions were held in Lincolnshire, Ill Health and A complete Guide to Administration.

Feedback from the events is attached at **Appendix 2 and 3**.

## 4.0 Internal Disputes Resolution Procedures

- 4.1 All occupational pension schemes are required to operate an IDRP. The LGPS has a 2-stage procedure. Stage 1 appeals, which relate to employer decisions or actions, are considered by a person specified by each employer to review decisions (the 'Adjudicator'). Stage 1 appeals relating to appeals against administering authority decisions or actions are considered the Pension Fund Manager. Stage 2 appeals are considered by WYPF.

### Stage 1 appeals against the fund

No appeal decision in this period. One appeal currently outstanding.

Date of appeal	Member no	Employer	Reason for appeal	Date of decision	Decision
26/11/18	8021422	Welland and Deepings Drainage Board	Appeal against being asked to repay overpayment of pension due to incorrect pay figure used in calculation.		

### **Stage 1 appeals against scheme employers**

No appeal decisions in this period. Two appeals currently outstanding.

<b>Date of appeal</b>	<b>Member no</b>	<b>Employer</b>	<b>Reason for appeal</b>	<b>Date of decision</b>	<b>Decision</b>	<b>Outcome / comments</b>
28/11/17	8040391	LCC	Appeal against being refused an ill health pension.			LCC still confirming that they have extended the deadline and are regularly being monitored to ensure they are working to conclude this.

### **Stage 2 appeals**

3 appeals turned down in current period. No appeals currently outstanding.

<b>Date of appeal</b>	<b>Member no</b>	<b>Employer</b>	<b>Reason for appeal</b>	<b>Date of decision</b>	<b>Decision</b>
8/6/18	8019981	Compass Point Business Services	Appeal against refusal to pay ill health pension.	8/11/2018	Turned down.
23/7/18	8079811	Lincolnshire County Council	Appeal against refusal to pay ill health pension.	2/11/2018	Turned down.
16/8/18	8043598	Lincolnshire County Council	Appeal against decision not to allow early access to deferred benefits on health grounds.	8/10/2018	Turned down.

### **Ombudsman**

- 4.2 Ombudsman cases are considered by Lincolnshire County Council Legal Services. One appeal is outstanding against being turned down for early release of pension on ill health grounds. LCC Legal has compiled information for the response after receiving details of the relevant regulations from WYPF.

## **5.0 Administration Update**

### **5.1 Staffing**

Recruitment is currently underway for two additional Pensions Officer to be based in the Lincoln Office. This will bring the total number of staff in Lincoln to 10.

### **5.2 Accreditation to ISO27001 – Information Security Management System**

WYPF is looking to attain accreditation to ISO27001 - Information Security Management System. This quality management standard will help the Fund to demonstrate its compliance with GDPR and Data Governance etc. Work on this started in December.

### **5.3 TPR Returns**

WYPF has completed TPR returns recently received. We are required to report a data quality score by measuring the quality of our data for common data and scheme specific data. Common data is defined so will be easy to measure but scheme specific data is not defined so it is expected that Administering Authorities will be measuring different data fields. LGA have said they will do a fuller consultation next year to come up with a standard definition. The most common data issue for common data failures is not having a current address (deferred's). WYPF are already using a tracing bureau for these cases so this will form part of the data improvement plan. LPF's data score is as follows:

Common Data – 95.71%  
Scheme Specific Data – 94.81%

### **5.4 Newsletters**

Autumn Newsletters have been produced and sent to both WYPF and LPF members.

**Appendix 4 – Copy of Newsletters**

### **5.5 CIPFA Benchmarking**

WYPF takes part in the CIPFA Benchmarking Club for Pensions Administration. This report provides information about the costs of the Fund's pensions administration service, and compares those costs with other LGPS funds who are part of the CIPFA Benchmarking Club.

The Fund's unit costs are one of the lowest across all pension funds. This is not at the expense of customer service, Member surveys reveal good levels of satisfaction from different categories of members. WYPF continue to win awards over the years for quality of service and best administration. Overall the administration service is considered effective and low cost, however the Administration Service will continue to seek efficiencies and savings wherever possible.

## 5.6 GMP Reconciliation

Data has been submitted to HMRC by the deadline of 31 October 2018. The type of queries submitted to HMRC consist of:

- Member on our records but not HMRC records
- Member on HMRC records but not on our records
- Where HMRC and LPF Scheme Contracted out numbers are different (SCON)
- Where HMRC and LPF contracted out dates are different
- Where HMRC show LPF have GMP liability but member has transferred out of the FPS.

HMRC have a 3 month target date to complete their work and come back with responses.

## 6.0 Current Issues

- 6.1 SCAPE discount rate – impact on actuarial guidance for Transfer calculations. As expected, the Chancellor of the Exchequer confirmed the reduction in the SCAPE discount rate from CPI + 2.8% to CPI + 2.4% in the 2018 Budget.

The SCAPE discount rate is used to set the employer contribution rates in the unfunded public service pension schemes and determine the actuarial factors used across all of the public service pension schemes. The reduced rate is effective from 29 October for the calculation of actuarial factors in the LGPS – this means that some non-club transfers, some interfund calculations and all CETVs for divorce will need to be put on hold until new transfer factors are issued. These have now been issued so calculations have now recommenced.

- 6.2 Other actuarial guidance

MHCLG have confirmed that the remainder of the scheme's actuarial factors will be amended for the reduction in the SCAPE discount rate in due course. Their intention is to introduce revised factors from around February/March 2019. MHCLG and GAD have agreed that where any change to the calculation methodology is introduced this will be communicated with the software providers in advance of its introduction, in order that changes can be made to pensions administration systems in time for the implementation of the new factors.

- 6.3 Section 13 report published

On 27 September 2018, MHCLG published the first statutory review of the LGPS under section 13 of the Public Service Pensions Act 2013. The department is required to report on the Scheme every three years; this report covers the period up to 2016. The Government Actuary reported that in aggregate, the LGPS is in a strong financial position and funds have made significant progress since the 2013 valuation.

#### 6.4 SF3 data published

Ministry of Housing, Communities & Local Government (MHCLG) have published "Local government pension scheme funds for England and Wales: 2017 to 2018" (SF3) statistics. Highlights include:

- Total expenditure was £12.7 billion. Removing the effect of mergers and large transfers in 2016-17 and 2017-18 there was a like-for-like increase of £0.8 billion or 7.4% on 2016-17.
- Total income was £17.4 billion. Removing the effect of mergers and large transfers in 2016-17 and 2017-18, there was a like-for-like increase of £3.0 billion or 21.4% on 2016-17. This is mainly due to an increase in employer contributions in 2017-18.
- Employer contributions amounted to £9.5 billion, up 27.7% on 2016-17, and employee contributions to the scheme were £2.1 billion. Employer contributions increased due to some large upfront pension contribution payments (deficit contributions) by some employers and higher contribution rates following the triennial valuation.
- The market value of the Scheme at the end of March 2018 was £270.9 billion, an increase of £12.1 billion or 4.7%.
- Membership encompassed 5.8 million people at the end of March 2018 (5.6 million 31 March 2017). Of this number, 2.0 million are employees who are still contributing to the scheme, 1.7 million are pensioners and 2.1 million are former employees who are entitled to a pension at some time in the future.
- The number of people leaving the Scheme due to redundancy reduced by 19.9% from 2016-17 to 10,847. A number of funds reported there were special redundancy exercises or restructuring in 2016-17 and that the large reduction in 2017-18 was a consequence of that.

#### 6.5 Harvey v Haringey and MHCLG judgment

On 30 October 2018, in the High Court Mr Justice Julian Knowles handed down his judgment on the above case. The case relates to the non-payment of a cohabiting partner's pension where the member left the LGPS before 1 April 2008.

Ms Harvey maintained that the Council's refusal to pay her a pension was discriminatory and in violation of the European Convention on Human Rights. Mr Justice Julian Knowles found in favour of Haringey Council and MHCLG and dismissed the application for judicial review.

In his judgment Mr Justice Julian Knowles states the central and core justification running throughout this case is that spouses in the 1997 Scheme and cohabittees of 2008 Scheme members are entitled to a pension because it was costed into the relevant Schemes and paid for. Where a member left before April 2008 the member did not pay for a cohabitee to receive a benefit, nor was it otherwise costed into the 1997 Scheme.

#### 6.6 Governance and administration survey

TPR have sent out the annual governance and administration survey to scheme managers in the week commencing 5 November with a closing date of 30 November.

Some changes have been made to the survey this year; the survey will seek to find out in more detail how well local pension boards are working and asked for more detailed information about employer data. In addition, a new section on cyber-risks has been included. The survey was completed by the Pension Fund Manager, in consultation with the Pension Board Chairman, and returned by the deadline.

#### 6.7 High Court ruling on GMP equalisation

On 26 October 2018, Mr Justice Morgan handed down judgment in *Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank PLC, HBOS PLC, Angela Sharp, Judith Cain, Susan Dixon, Secretary of State for Work and Pensions and HMT*. The High Court has held that schemes must equalise the discriminatory effects of GMPs and that this can be achieved using several methods.

We are aware that concern has been raised as to the impact to Public Service Pension Schemes. HMT have confirmed that this judgement “does not impact on the current method used to achieve equalisation and indexation in public service pension schemes”. For more information concerning the current method of equalisation of Public Service Pension Schemes, please consult the outcome to the Government consultation on indexation and equalisation of GMP in public service pension schemes published on 22 January 2018.

#### 6.8 Budget 2018

On 29 October, the Chancellor of the Exchequer, Philip Hammond, presented the 2018 Budget setting out the government’s plans for the economy and public finances.

Announcements relating to public service pensions schemes confirmed as expected the reduction of the SCAPE discount rate to 2.4% plus CPI, indicating an increased cost to employers of providing pensions in the long-term. The government further acknowledged that the provisional valuation results of all public service schemes indicate that an improvement to member benefits is needed from 2019-20.

While there were no major announcements in relation to pension tax, it has been confirmed that the Lifetime Allowance for 2019-20 will increase in line with CPI, to £1,055,000.

In relation to pensions cold calling, the Government's response to its consultation has been published alongside the Budget, and according to the Budget document the Government will “shortly be implementing legislation to make pensions cold calling illegal”.

The government pledged support for pension savers by committing £5m extra funding for the Pension Dashboard, which will allow individuals to see all of their pension pots, including State Pension, in one place. The Budget report confirms that DWP will consult on the project later in the year.

#### Pension scam leaflet changed

In bulletin 175, we reported that TPR, in conjunction with the FCA, have launched a new ScamSmart TV advertising campaign to raise awareness of pension fraud and the most common tactics used by scammers.

As part of the ScamSmart campaign a new customer leaflet and other communication materials have been introduced. The new leaflet replaces the scorpion leaflet with immediate effect and, as before, will be included with transfer packs and is suitable to accompany annual benefit statements.

#### **Appendix 4 – ScamSmart Leaflet**

##### 6.9 Simpler annual benefit statement launched

Pensions Minister Guy Opperman recently launched a simpler annual statement at the Pensions and Lifetime Savings Association (PLSA) Annual Conference in October.

The simpler annual pension statement has been produced by former PLSA chair Ruston Smith, in his capacity as an adviser to the Government on its review of automatic enrolment. Input was also received from the pensions industry.

The aim of the statement is to help pension schemes and providers give savers just the key information they need, presented in plain English and with more consistency.

##### 6.10 Civil partnerships to be extended to opposite sex couples

At the Conservative Party Conference, Prime Minister Theresa May announced that heterosexual couples will be able to enter into civil partnerships. The move follows a decision of the Supreme Court [UKSC 2017/0060] on 27 June 2018 that the existing law around civil partnerships was incompatible with the European Convention on Human Rights as it only permitted civil partnerships between same-sex couples.

##### 6.11 Analysis of the LGPS Academy Sector

GAD has now published the work commissioned by MHCLG and DfE to review the treatment of academies within the Local Government Pension Scheme. In particular, GAD was asked to gather evidence on the variation in treatment of academies within and across different LGPS Funds. Data from the most recently completed valuations as at 31 March 2016 was obtained for this purpose. A copy of the report can be found at

<https://www.gov.uk/government/publications/academies-lgps-pension-arrangements>”

##### 6.12 Options for separation of host authority and pension fund

In 2015, SAB commissioned KPMG to undertake a project to examine the issues and challenges of separating the pension's functions of LGPS administering authorities from their host authorities. As part of SAB's 2018/19 work programme, a further project was established to see how the recommendations that emerged from the exercise undertaken in 2015 could be made to work in practice.

In August 2018, SAB invited interested parties to assist in developing options for change. Three bids were received before the closing date of 21 September. These were due to be considered at the next Board meeting on 10 October.

#### 6.13 Third tier employers

At the SAB meeting on 27 June 2018, Aon presented members with a summary of the final draft report commissioned by SAB, to review the current issues in relation to third tier employers participating in LGPS funds in England and Wales. On 24 September 2018, SAB published this report on their website.

The report does not make any recommendations, instead, it outlines a range of issues raised by stakeholders and how they envisage these concerns being resolved. SAB will now establish a small working group to evaluate the options for change. The working group will report to SAB later this year with a set of recommendations for further consideration.

Once approved, stakeholders will be given the opportunity to comment on SAB's recommendations before any formal approach is made to MHCLG for changes to the scheme regulations and guidance.

#### 6.14 HM Treasury statement on quadrennial scheme valuation of public service pension schemes

On 6 September 2018, in a Written Ministerial Statement the Chief Secretary to the Treasury, Elizabeth Truss, announced details of the quadrennial national scheme valuation of public service pension schemes.

For the unfunded schemes, initial results from the HMT Employer Cost Cap (ECC) process show that their members will get improved pension benefits over the period April 2019 to March 2023. In addition, due to the proposed changes to the SCAPE discount rate, which is used to assess the current cost of future payments from public service pension schemes (excluding Local Government Pension Schemes (LGPS)), early indications are also that the amount employers pay into the unfunded schemes will need to increase.

In the case of the funded LGPS in England and Wales, the Scheme Advisory Board England & Wales (SAB E&W) operates an additional cost cap process (called the Scheme Advisory Board Future Service Cost (FSC) process). In accordance with agreed policy, the FSC will be allowed to complete before the ECC is tested. Therefore, it is not possible at this stage to give any indication of what the outcome might be. If the FSC process results in a recommendation that changes to the scheme should be made and the government accepts the SAB E&W recommendations, the ECC process will be adjusted to consider the new scheme design.

The Chief Secretary also announced in the technical annex to a letter to Frances O'Grady at the TUC, that the scheme valuation under ECC process should be moved from the current triennial to a quadrennial cycle in line with other public service scheme valuations. This is not to be confused with local fund valuations; however, discussions with MHCLG and actuarial advisers will take place shortly to consider the implications of this change for local fund valuations.

A statement from the SAB E&W can be found at [www.lgpsboard.org](http://www.lgpsboard.org).

## 7.0 Finance

### 7.1 Cost per member

#### **Shared service cost per member 2017/18 £14.73 (£14.58 for 2018/19 initial budget)**

Latest forecast of outturn for 2018/19 is £12.23m, against a budget of £13.1m, underspend of £0.87m. The projected cost for 2018/19 Pension Admin shared services has been estimated at £14.58. Our projected cost per member is therefore below our target cost of £17.

NB. There is an ongoing review of staffing across the fund with the aim of increasing resources to deal with investment pooling and increased shared service clients.

## 8.0 Awards

WYPF were winners of two awards recently at the LAPF Investment Awards:

Pension Fund of the Year,  
Best Administration Award.

### **Conclusion**

WYPF and LPF continue to work closely as shared service partners to provide an efficient and effective service to all stakeholders within the Lincolnshire Pension Fund.

### **Appendices**

These are listed below and attached at the back of the report	
Appendix 1	Customer Survey Results
Appendix 2	Employer Feedback Summary
Appendix 3	Employer Feedback Summary
Appendix 4	Newsletters
Appendix 5	CIPFA Benchmarking Report Summary

### **Consultation**

#### **a) Have Risks and Impact Analysis been carried out??**

Yes

## **b) Risks and Impact Analysis**

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

### **Background Papers**

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Yunus Gajra, who can be contacted on 01274 432343 or [Yunus.gajra@wypf.org.uk](mailto:Yunus.gajra@wypf.org.uk).

## Customer Survey Results - Lincolnshire Members (1<sup>st</sup> July to 30<sup>th</sup> September 2018)

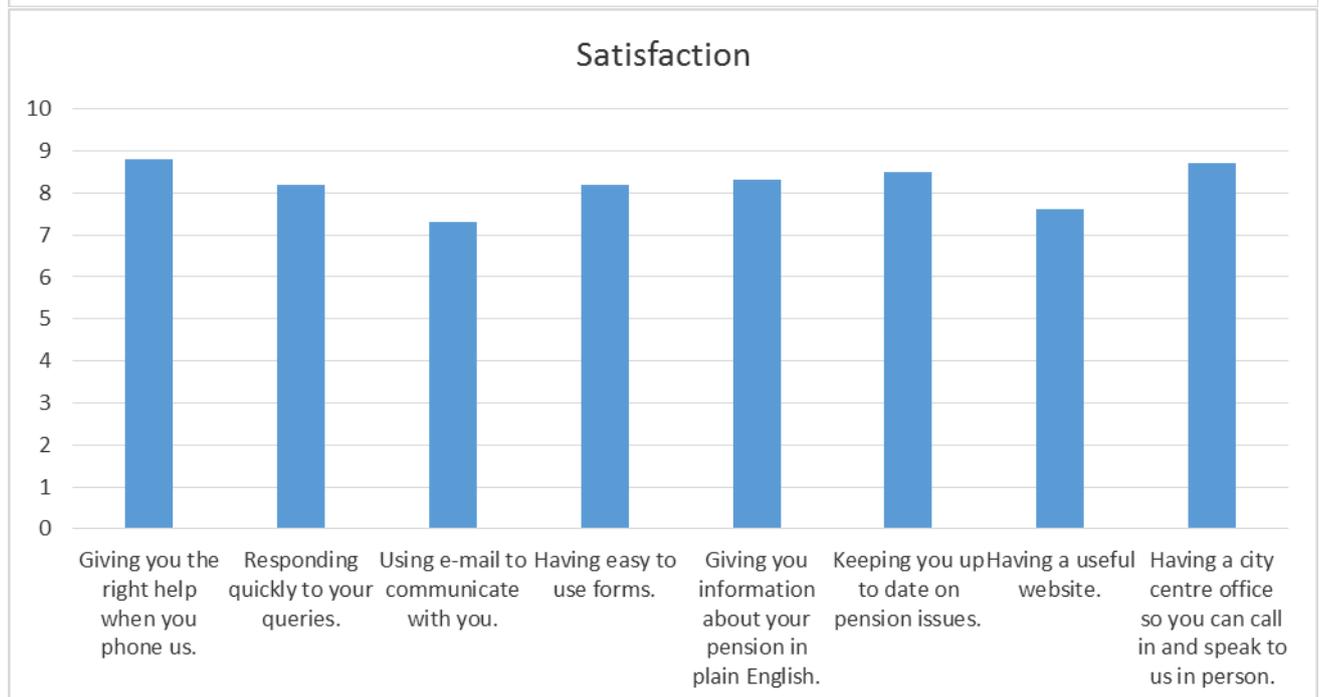
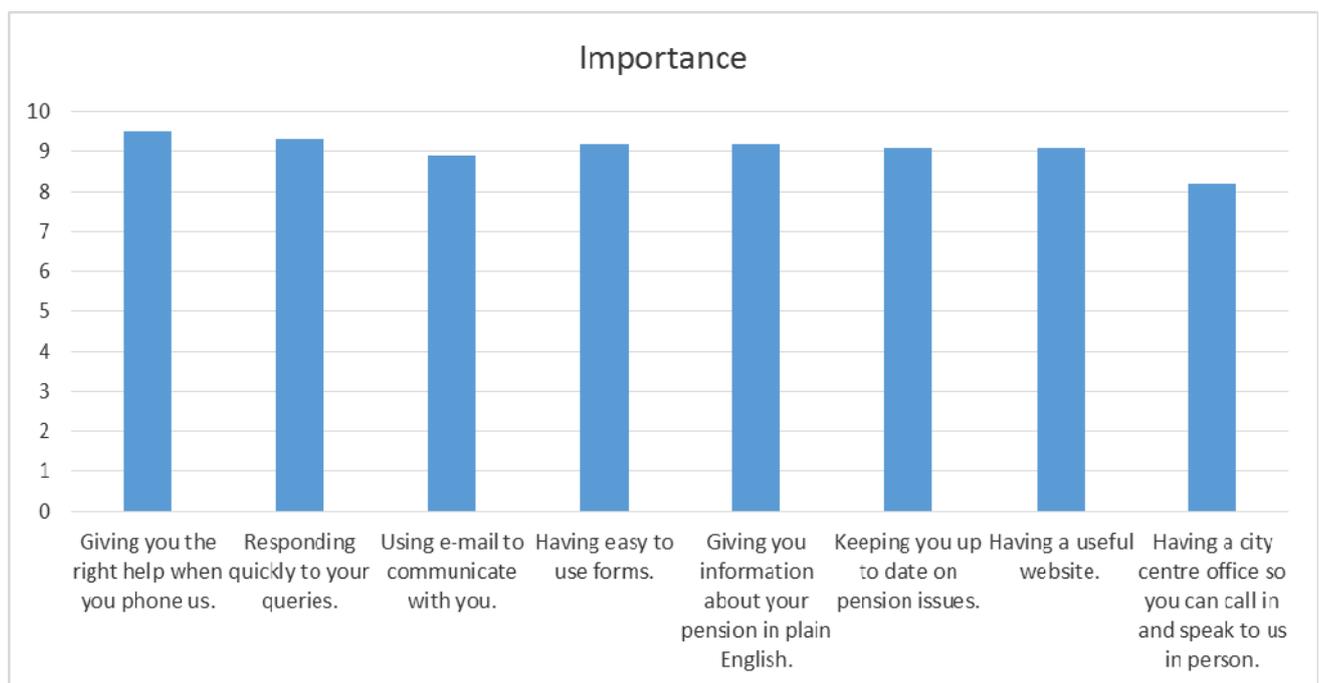
Over the quarter July to September we received **2** online customer responses.

Over the quarter July to September **356** Lincolnshire member's sample survey letters were sent out and **36 (10.12%)** returned:

Overall Customer Satisfaction Score;

July to September 2017	October to December 2017	January to March 2018	April to June 2018	July to September 2018
89.62%	91.74%	87.34%	72.1%	81.6%

The charts below give a picture of the customers overall views about our services;



### Sample of positive comments:

Member Number	Comments
810554	Very good. Excellent help received from Kendal Leask particular. Kendal helped me to navigate though the complexities of a divorce pension sharing calculation. All staff helpful and Annamaria Hodgkinson also deserves a mention.
8031797	From start to finish deciding to retire the process has been less difficult that I thought and efficient and stress free - always a bonus. Well done satisfied.
8023136	Very informative and helpful staff. The whole process was made easy by being able to contact with queries and that person having the knowledge to be able to answer.
8017746	I always found people helpful on phone and passed information with very professional manner.
8105310	No long wait before my call answered. Much better than dealing with state pension issues.

### Complaints/Suggestions:

Member Number	Comments	Corrective/ Preventive Actions
8108813	I tried to register got so far then the system failed. I now can't log in. Can you help?	<p>Response sent by Sandra</p> <p>Thank you for taking time to complete and return our customer survey.</p> <p>Your comments have been noted and will be reviewed by our senior management team during the next review of customer service.</p> <p>If you are still experiencing issues with registering and would like help with this, Please call us on the telephone number below.</p>
8117799	Too slow to perform by far. Too many different handlers. No continuity. Did not even know you have an office to call into Lincoln.	Passed to Dipika. No response sent.
8108027	I wrote or rather sent one of your forms in 2 months ago asking to transfer my pension to NHS. I have not heard anything. Except this survey. Obviously if I don't get a statement or the form I needed to transfer before November I cannot transfer anyway. I am only doing it as I don't want lots of frozen pensions. I already have 2. I just thought I	<p>Response sent by Selma;</p> <p>Thank you for completing and returning the Customer Survey form with comments about the transfer of your benefits to the NHS.</p> <p>I apologise for the lack of communication regarding this and can confirm that before the transfer quote can be produced the Regulations state that your preserved refund record 8108027 must be automatically linked to record 8115509 which you left on 3 July 2017.</p>

	<p>could put my major amount into NHS as I intend to stay there until retirement. Both my jobs with this pension scheme were temporarily. This is permanent. But I understand you will loose money.</p>	<p>I have requested that the linking process be completed as a matter of urgency and as soon as this has been done, the transfer quotation will be produced and sent to you.</p> <p>Again, please accept my apologies for the delay and any upset caused by lack of communication.</p>
--	---	--

This page is intentionally left blank

## APPENDIX 2

### Employer Feedback (LPF) Quarter 3 July – September 2018

#### Your Monthly Return – 26 July 2018

Feedback score: 96.18%

Comment	Action taken
Be able to upload submissions on a test platform	Not currently available on our systems
A workshop about how to complete forms / blocks etc would be very helpful.	We are producing additional support material for forms. The blocks have a guide and video to help already.
In house training would be extremely useful. We have a large team who need training so on site would be very helpful.	We offer in-house training to all employers. This employer was made aware after this comment.

#### A summary of the compliments

- Excellent workshop. Goes in to more detail than last years. Big improvement
- Very well presented workshop. Easy to understand and content good, Thank you.

#### Employer Responsibilities – 27 September 2018

Feedback score: 96.72%

Comment	Action taken
Maybe HR advisors should be invited, as I feel a lot of the points in the material relate to policy / disputes that they may be dealing with.	Employers can send anyone they wish to the event, they do not have to be a main contact.

#### A summary of the compliments

- I think the workshops are very informative and very useful. Really enjoyed course
- Very good and very informative.

Please note, no workshops held in August.

This page is intentionally left blank

## APPENDIX 3

### Employer Feedback (LPF) Quarter 4 October – December 2018

#### Ill health – 31 October 2018

Feedback score: 89.96%

Comment	Action taken
Make the exercises a bit more challenging	Passed to PFR
Earlier start time	No plans to hold earlier than 10.00

#### A summary of the compliments

- Informative and thorough as always
- Excellent workshop, clear, easy to understand, will recommend to colleagues.

#### Complete guide to administration – 29 November 2018

Feedback score: 94.14%

Comment	Action taken
Deferred benefits - employer consent option not fully covered until questioned. Death in service not really covered.	This workshop was audited and these were covered suitably.

#### A summary of the compliments

- None

Please note, no workshops held in December.

This page is intentionally left blank



West Yorkshire Pension Fund

Lincolnshire  
Pension Fund



London Borough  
of Hounslow

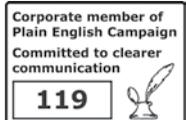
# Pension

AUTUMN 2018 • DEFERRED LINCOLNSHIRE MEMBER NEWSLETTER



- ⦿ Time limits for transfers
- ⦿ 2018 fund report
- ⦿ Regulators launch Scamsmart campaign

Page 33





## London Borough of Hounslow

### London Borough of Hounslow Pension Fund joins WYPF

We're very pleased to welcome members of the London Borough of Hounslow Pension Fund, which has joined our shared-service arrangement from 1 August 2018. We look forward to offering Hounslow's members the high-quality service already enjoyed by West Yorkshire and Lincolnshire members.

## Transfer time limits

If you're thinking about transferring your deferred LGPS pension to another provider, please remember that to be entitled to transfer your pension you must have both left the scheme and chosen to transfer your pension at least one year before your Normal Pension Age. Your Normal Pension Age is shown on your deferred benefit statement as the date your benefits are payable. It falls between your 60th birthday and your State Pension Age, depending on when you left and possibly what membership you have in the scheme.

## New rules for early payment of deferred benefits

We reported last year that the government was looking at allowing payment of deferred benefits from age 55 instead of age 60 for members who left before 1 April 2014. This would bring the rules into line with those for members who left on or after this date. The change was agreed this year and the LGPS regulations updated on 14 May 2018 to allow payment from age 55 for all members.

If you choose to take your deferred benefits early, you should be aware that they will be reduced to take account of the early payment, and the reductions at age 55 are quite significant. We've put some examples on our website at [www.wyppf.org.uk/earlydeferred](http://www.wyppf.org.uk/earlydeferred) to give you an idea.

(Please note that at the moment we are only able to provide an immediate estimate of your early payment of benefits if you are nearing retirement age and they currently take up to three months to process.)

# Don't let a scammer enjoy your retirement!

## Regulators warn public of pension scammer tactics as victims report losing an average of £91,000 in 2017

The Financial Conduct Authority (FCA) and The Pensions Regulator (TPR) have launched a new **ScamSmart** advertising campaign targeting pension holders aged 45 to 65, the group most at risk of pension scams. This comes as a new poll commissioned by the regulators reveals that almost a third of pension holders aged 45 to 65 would not know how to check whether they are speaking with a legitimate pensions adviser or provider.

The regulators have urged the public to be on their guard when receiving unexpected offers about your pension and to check who you are dealing with. Scammers design attractive offers to persuade you to transfer your pension pot to them or release funds from it. Your money is then often invested in unusual and high-risk investments like overseas property, renewable energy bonds, forestry, storage units – or simply stolen outright.

If you are contacted about your pension, visit ScamSmart before going any further, so that you don't end up becoming the victim of a scammer.

FCA and TPR are part of Project Bloom, a multi-agency taskforce which is working to combat pension scams. The taskforce includes the DWP, HM Treasury, the Serious Fraud Office, City of London Police, the National Fraud Intelligence Bureau, The Pensions Advisory Service, and the National Crime Agency.

**Pension scams can cause victims significant harm – both financially and mentally. If you are ever in doubt about a pension offer, visit the ScamSmart website at [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)**

## Introduction by Jo Ray, Pension Fund Manager, LPF

At the end of 2017/18, the value of the fund was £2.189 billion – an increase of £74 million from the previous year.

Our Pensions Committee meets quarterly and reviews the asset allocations and the strategic benchmark, based on expected investment returns. It also monitors administration performance and provides governance across all aspects of the Pension Fund. It is now three years since the creation of the Lincolnshire Pension Board, which assists the committee and oversees the governance and administration of the fund. An annual report on the work of the board is included within the full annual report. Our shared-service pensions administration partnership

with West Yorkshire Pension Fund continues to develop, improving service for members, while also improving resilience and bringing efficiency savings to the Lincolnshire Fund.

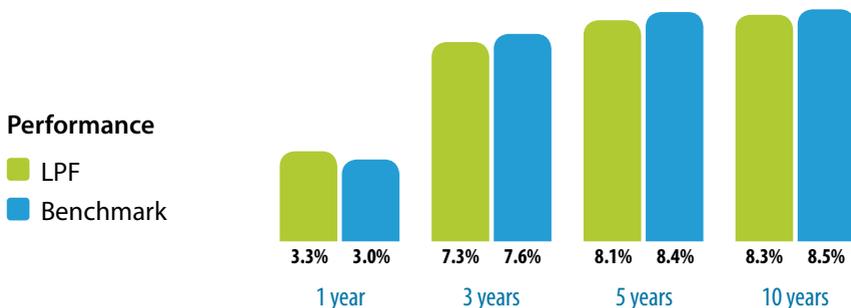
The government's requirement for funds to pool assets has continued to keep us very busy, working with 11 other funds to form the Border to Coast Pensions Partnership. The project is still on track to begin transitioning assets into the new company in July 2018. Assets from the Lincolnshire fund are not expected to begin moving across to Border to Coast until next year.

This summary gives a flavour of our full Annual Report and Accounts, published on our shared website at [www.wypf.org.uk](http://www.wypf.org.uk)

## Performance

Our investment return was 3.3% in 2017/18, 0.3% above the return for the Fund's strategic benchmark of 3.0%.

Actual investment performance against the Fund's strategic benchmark performance is set out in the table below. Across all periods the returns are positive, and the longer-term return, whilst slightly behind the benchmark, is ahead of the long-term required return set by the fund's actuary of 4.0% (as per the March 2016 triennial valuation).



## Fund account

<b>Opening assets of the fund at 1 April 2017</b>	<b>£2,115.4m</b>
<b>Investment return and income</b>	
Return on investments	£55.0m
Investment income	£17.8m
<b>Dealing with members</b>	
Benefits paid	(£91.2m)
Contributions (including transfer in £7.1m)	£104.4m
<b>Management expenses</b>	(£12.0m)
(including administration, manager fees and governance)	
<b>Closing net assets of the fund at 31 March 2018</b>	<b>£2,189.4m</b>
Closing net assets made up of	
• Market value of fund investment portfolio	£2,167.9m
• Net current assets (debtors, overdraft and creditors)	£21.5m
<b>Total (closing assets of the fund at 31 March 2018)</b>	<b>£2,189.4m</b>

## Ten biggest equity holdings at 31 March 2018

	<b>Company</b>	<b>Market value</b>	<b>Percentage of total fund</b>
1	Royal Dutch Shell	33.3	1.5
2	British American Tobacco	31.9	1.5
3	Microsoft	24.7	1.1
4	HSBC	23.6	1.1
5	Reckitt Benckiser	22.5	1.0
6	Unilever	22.5	1.0
7	BP	16.3	0.8
8	JP Morgan	16.1	0.7
9	Apple	15.6	0.7
10	Visa	15.0	0.7
<b>Total</b>		<b>221.5</b>	<b>10.1</b>

# LPF investment management arrangements

The arrangements for segregated management of the fund's assets, in place at 31 March 2018, are set out below. Portfolio values include cash at the balance sheet date.

## Segregated investment management mandates

Asset class	Manager	Market value £m	% of the fund
Global equities – (Ex UK)	Invesco	502.3	22.9
Global equities	Schroders	123.9	5.7
Global equities	Columbia Threadneedle	132.6	6.1
	<b>Total segregated equities</b>	<b>758.8</b>	<b>34.7</b>

**Pooled funds** – the fund also invests in a number of asset classes by means of collective investment vehicles, also known as pooled funds.

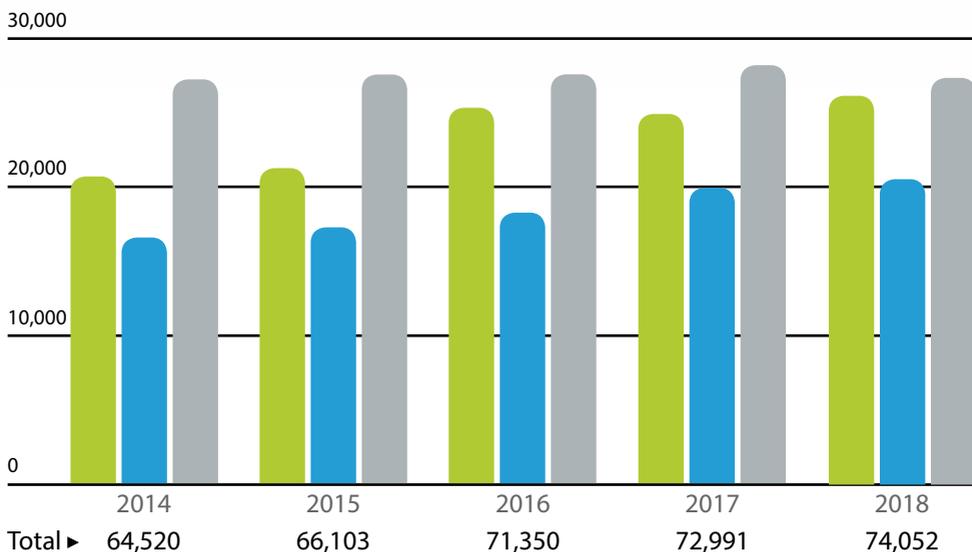
Asset class	Manager	Market value £m	% of the fund
<b>Property and infrastructure</b>	Franklin Templeton	3.9	0.2
	Igloo	2.5	0.1
	Aviva	46.6	2.1
	Royal London	23.5	1.1
	Rreef	0.5	0.0
	Blackrock	41.4	1.9
	Standard Life	76.0	3.5
	<b>Total UK property</b>	<b>194.4</b>	<b>8.9</b>
<b>Infrastructure</b>	Innisfree	32.5	1.5
	Infracapital	1.5	0.1
	Pantheon	1.5	0.1
	<b>Total UK Property</b>	<b>35.5</b>	<b>1.7</b>
<b>Alternatives</b>	Morgan Stanley	268.2	12.2
<b>UK Equities</b>	Legal and General	264.1	12.1
<b>Global Equities</b>	Morgan Stanley	178.7	8.2
<b>Fixed Interest</b>	Blackrock	403.8	18.4
	<b>Total Pooled Vehicles</b>	<b>1,374.0</b>	<b>62.9</b>

# Local Government Pension Scheme membership

There were 74,052 members and beneficiaries from 219 employers at 31 March 2018. The fund is reasonably mature, with deferred members (those that are no longer in the scheme but will be entitled to a pension at some point in the future) making up 37% of the overall membership and pensioner members 28%.



■ Contributors
 ■ Pensioners
 ■ Deferred beneficiaries



# Contact us

Don't forget to tell us if you move house!

Phone

**01274 434999**

Web

**www.wypf.org.uk**

Email

**pensions@wypf.org.uk**

Postal address

**PO Box 67  
Bradford  
BD1 1UP**

**Visit us in Lincoln**

County Offices

Newland

Lincoln LN1 1YL

Ask at reception for the pensions team

(Do not send mail to this address)

Open weekdays 8.00am to 5.15pm



Published autumn 2018 by West Yorkshire Pension Fund

The information in this newsletter relates to LPF deferred members only and can't be treated as a statement of law.

Please contact us if you would like this newsletter in large type, Braille, on tape or in another language.



West Yorkshire Pension Fund

Lincolnshire  
Pension Fund



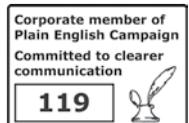
London Borough  
of Hounslow

# Pension

AUTUMN 2018 • PENSIONER LINCOLNSHIRE MEMBER NEWSLETTER



- 2018 fund report
- LPF Local Pension Board



# London Borough of Hounslow Pension Fund joins WYPF

We're very pleased to welcome members of the London Borough of Hounslow Pension Fund, which has joined our shared-service arrangement from 1 August 2018. We look forward to offering Hounslow's members the high-quality service already enjoyed by members in West Yorkshire and Lincolnshire.



## London Borough of Hounslow

### National Fraud Initiative

We have taken part in the Cabinet Office's National Fraud Initiative (NFI) for many years. It's a data matching exercise that helps prevent and detect fraud. Taking part means we regularly provide sets of data to the Minister for the Cabinet Office. See <https://www.gov.uk/government/collections/national-fraud-initiative> for more.

The NFI compares information held by and between around 1,300 organisations like councils, police, hospitals and private sector companies. This helps to identify fraud, errors and overpayments. Under the Fair Processing and the Data Protection Act we have to tell you that your data will be processed in this way.

#### Data protection

You can read about how our policy on data protection covers the proper management of personal data privacy at [www.wypf.org.uk/data](http://www.wypf.org.uk/data)

# LPF Local Pension Board

**Local Pension Boards were introduced in April 2015, under the Public Service Pensions Act 2013. Their role is to assist the administering authority (Lincolnshire County Council) in the administration and governance of the fund, and to ensure compliance with the relevant regulations.**

The board consists of an independent Chairman, two scheme member representatives and two scheme employer representatives. They provide an oversight function to the fund and work closely with the pensions team at Lincolnshire and the administrators at WYPF.

Much of the work that the board does is to ensure that processes are in place so that scheme members, whether they are contributing, deferred or pensioners, receive a high-quality and timely service. They also make

sure that employers in the fund are providing accurate information, in line with the regulations, so that WYPF can respond promptly to any scheme member events, such as retirements.

Should the board have any concerns about how the fund is being managed or where employers are not meeting their responsibilities, and are not content with any suggested changes or improvement plans in place, they have a duty to report these matters to the Pensions Regulator.

A full report of the work done by the board over the last year is included in the fund's *Annual Report and Accounts*, which can be found at **[www.wypf.org.uk](http://www.wypf.org.uk)**

Information on board membership and meetings can be found on the council's website at **<http://lincolnshire.moderngov.co.uk/>**

## Moving house?

If you move house, we need to know your new address to keep your records up to date and make sure personal or sensitive information doesn't go to your old address, putting you at risk of identity fraud. So when you move, please let us know about it as soon as you can.



# Fund report 2018

## Introduction by Jo Ray, Pension Fund Manager, LPF

At the end of 2017/18, the value of the fund was £2.189 billion – an increase of £74 million from the previous year.

Our Pensions Committee meets quarterly and reviews the asset allocations and the strategic benchmark, based on expected investment returns. It also monitors administration performance and provides governance across all aspects of the Pension Fund. It is now three years since the creation of the Lincolnshire Pension Board, which assists the committee and oversees the governance and administration of the fund. An annual report on the work of the board is included within the full annual report. Our shared-service pensions administration partnership

with West Yorkshire Pension Fund continues to develop, improving service for members, while also improving resilience and bringing efficiency savings to the Lincolnshire Fund.

The government's requirement for funds to pool assets has continued to keep us very busy, working with 11 other funds to form the Border to Coast Pensions Partnership. The project is still on track to begin transitioning assets into the new company in July 2018. Assets from the Lincolnshire fund are not expected to begin moving across to Border to Coast until next year.

This summary gives a flavour of our full Annual Report and Accounts, published on our shared website at [www.wypf.org.uk](http://www.wypf.org.uk)

## Performance

Our investment return was 3.3% in 2017/18, 0.3% above the return for the Fund's strategic benchmark of 3.0%.

Actual investment performance against the Fund's strategic benchmark performance is set out in the table below. Across all periods the returns are positive, and the longer-term return, whilst slightly behind the benchmark, is ahead of the long-term required return set by the fund's actuary of 4.0% (as per the March 2016 triennial valuation).



## Fund account

<b>Opening assets of the fund at 1 April 2017</b>	<b>£2,115.4m</b>
<b>Investment return and income</b>	
Return on investments	£55.0m
Investment income	£17.8m
<b>Dealing with members</b>	
Benefits paid	(£91.2m)
Contributions (including transfer in £7.1m)	£104.4m
<b>Management expenses</b>	(£12.0m)
(including administration, manager fees and governance)	
<b>Closing net assets of the fund at 31 March 2018</b>	<b>£2,189.4m</b>
Closing net assets made up of	
• Market value of fund investment portfolio	£2,167.9m
• Net current assets (debtors, overdraft and creditors)	£21.5m
<b>Total (closing assets of the fund at 31 March 2018)</b>	<b>£2,189.4m</b>

## Ten biggest equity holdings at 31 March 2018

	<b>Company</b>	<b>Market value</b>	<b>Percentage of total fund</b>
1	Royal Dutch Shell	33.3	1.5
2	British American Tobacco	31.9	1.5
3	Microsoft	24.7	1.1
4	HSBC	23.6	1.1
5	Reckitt Benckiser	22.5	1.0
6	Unilever	22.5	1.0
7	BP	16.3	0.8
8	JP Morgan	16.1	0.7
9	Apple	15.6	0.7
10	Visa	15.0	0.7
<b>Total</b>		<b>221.5</b>	<b>10.1</b>

# LPF investment management arrangements

The arrangements for segregated management of the fund's assets, in place at 31 March 2018, are set out below. Portfolio values include cash at the balance sheet date.

## Segregated investment management mandates

Asset class	Manager	Market value £m	% of the fund
Global equities – (Ex UK)	Invesco	502.3	22.9
Global equities	Schroders	123.9	5.7
Global equities	Columbia Threadneedle	132.6	6.1
	<b>Total segregated equities</b>	<b>758.8</b>	<b>34.7</b>

**Pooled funds** – the fund also invests in a number of asset classes by means of collective investment vehicles, also known as pooled funds.

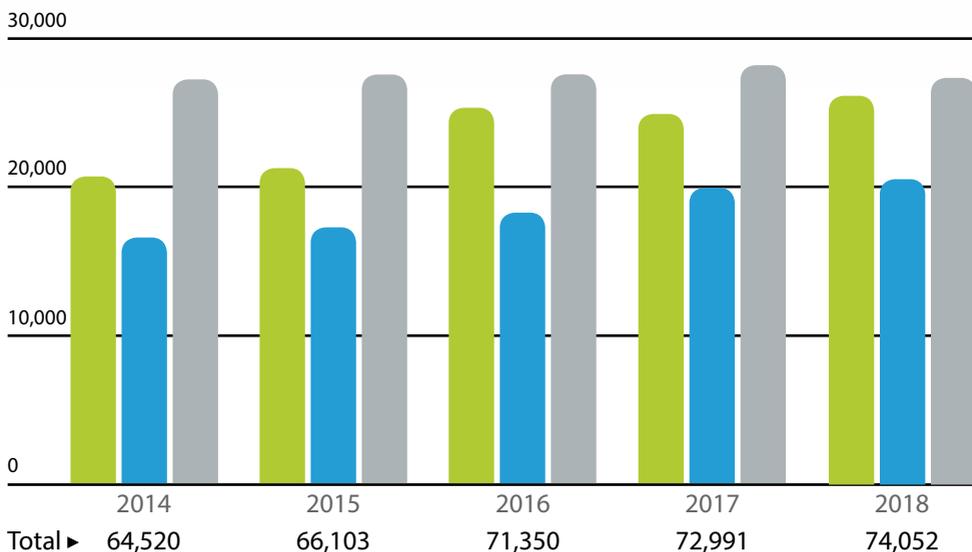
Asset class	Manager	Market value £m	% of the fund
<b>Property and infrastructure</b>	Franklin Templeton	3.9	0.2
	Igloo	2.5	0.1
	Aviva	46.6	2.1
	Royal London	23.5	1.1
	Rreef	0.5	0.0
	Blackrock	41.4	1.9
	Standard Life	76.0	3.5
	<b>Total UK property</b>	<b>194.4</b>	<b>8.9</b>
<b>Infrastructure</b>	Innisfree	32.5	1.5
	Infracapital	1.5	0.1
	Pantheon	1.5	0.1
	<b>Total UK Property</b>	<b>35.5</b>	<b>1.7</b>
<b>Alternatives</b>	Morgan Stanley	268.2	12.2
<b>UK Equities</b>	Legal and General	264.1	12.1
<b>Global Equities</b>	Morgan Stanley	178.7	8.2
<b>Fixed Interest</b>	Blackrock	403.8	18.4
	<b>Total Pooled Vehicles</b>	<b>1,374.0</b>	<b>62.9</b>

# Local Government Pension Scheme membership

There were 74,052 members and beneficiaries from 219 employers at 31 March 2018. The fund is reasonably mature, with deferred members (those that are no longer in the scheme but will be entitled to a pension at some point in the future) making up 37% of the overall membership and pensioner members 28%.



■ Contributors
 ■ Pensioners
 ■ Deferred beneficiaries



# Contact us

Phone

**01274 434999**

Web

**wypf.org.uk**

Email

**pensions@wypf.org.uk**

Postal address

**PO Box 67  
Bradford  
BD1 1UP**

We welcome visitors at

County Offices • Newland • Lincoln • LN1 1YL

We are open weekdays 8.00am to 5.15pm (4.45pm on Fridays)

Ask for the pensions team at reception.

## **New bank account?**

If you change the account we pay your pension into, please tell us at least three weeks before payday to avoid delays to your pension.

## **Which tax office deals with my pension?**

Please contact HMRC if you have a query about tax on your pension. Phone 0300 200 3300 and quote your National Insurance number and tax office reference 072/W6. Their address is

Pay As You Earn  
HM Revenue and Customs  
BX9 1AS

Published autumn 2018 by West Yorkshire Pension Fund  
The information in this newsletter relates to LPF pensioner members only and can't be treated as a statement of the law.  
Available in large type, Braille or in audio format on request.



West Yorkshire Pension Fund

Lincolnshire  
Pension Fund



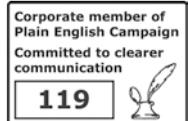
London Borough  
of Hounslow

# Pension

AUTUMN 2018 • ACTIVE LINCOLNSHIRE MEMBER NEWSLETTER



- 🕒 2018 fund report
- 🕒 Regulators launch Scamsmart campaign
- 🕒 Decision on AVC freedoms



## London Borough of Hounslow Pension Fund joins WYPF

We're very pleased to welcome members of the London Borough of Hounslow Pension Fund, which has joined our shared-service arrangement from 1 August 2018. We look forward to offering Hounslow's members the same high-quality service already enjoyed by members in West Yorkshire and Lincolnshire.



## London Borough of Hounslow

## Government says no to freedom and choice for AVCs

Following consultation, the government has now confirmed that it will not offer those paying AVCs (additional voluntary contributions) the chance to access them while still working and paying into the LGPS, since this would create 'substantial administrative complexities'.

Your existing options are still available however. You can use your AVC 'pot' at retirement either to buy scheme pension in the LGPS or take tax-free cash.

Read more about your AVC options at [www.wypf.org.uk/payingextra](http://www.wypf.org.uk/payingextra)

## Transfer time limits

If you're thinking about leaving the pension scheme and transferring your LGPS pension to another provider, please remember that to be entitled to transfer your pension you must leave this scheme and choose to transfer your pension at least one year before your normal pension age (NPA).

# Don't let a scammer enjoy your retirement!

**Regulators warn public of pension scammer tactics as victims report losing an average of £91,000 in 2017**

The Financial Conduct Authority (FCA) and The Pensions Regulator (TPR) have launched a new **ScamSmart** advertising campaign targeting pension holders aged 45 to 65, the group most at risk of pension scams. This comes as a new poll commissioned by the regulators reveals that almost a third of pension holders aged 45 to 65 would not know how to check whether they are speaking with a legitimate pensions adviser or provider.

The regulators have urged the public to be on their guard when receiving unexpected offers about your pension and to check who you are dealing with. Scammers design attractive offers to persuade you to transfer your pension pot to them or release funds from it. Your money is then often invested in unusual and high-risk investments like overseas property, renewable energy bonds, forestry, storage units – or simply stolen outright.

If you are contacted about your pension, visit ScamSmart before going any further, so that you don't end up becoming the victim of a scammer.

FCA and TPR are part of Project Bloom, a multi-agency taskforce which is working to combat pension scams. The taskforce includes the DWP, HM Treasury, the Serious Fraud Office, City of London Police, the National Fraud Intelligence Bureau, The Pensions Advisory Service, and the National Crime Agency.

**Pension scams can cause victims significant harm – both financially and mentally. If you are ever in doubt about a pension offer, visit the ScamSmart website at [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)**

# Fund report 2018

## Introduction by Jo Ray, Pension Fund Manager, LPF

At the end of 2017/18, the value of the fund was £2.189 billion – an increase of £74 million from the previous year.

Our Pensions Committee meets quarterly and reviews the asset allocations and the strategic benchmark, based on expected investment returns. It also monitors administration performance and provides governance across all aspects of the Pension Fund. It is now three years since the creation of the Lincolnshire Pension Board, which assists the committee and oversees the governance and administration of the fund. An annual report on the work of the board is included within the full annual report. Our shared-service pensions administration partnership

with West Yorkshire Pension Fund continues to develop, improving service for members, while also improving resilience and bringing efficiency savings to the Lincolnshire Fund.

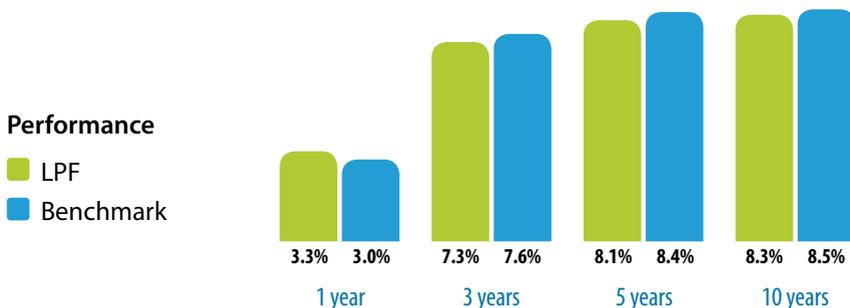
The government's requirement for funds to pool assets has continued to keep us very busy, working with 11 other funds to form the Border to Coast Pensions Partnership. The project is still on track to begin transitioning assets into the new company in July 2018. Assets from the Lincolnshire fund are not expected to begin moving across to Border to Coast until next year.

This summary gives a flavour of our full Annual Report and Accounts, published on our shared website at [www.wypf.org.uk](http://www.wypf.org.uk)

## Performance

Our investment return was 3.3% in 2017/18, 0.3% above the return for the Fund's strategic benchmark of 3.0%.

Actual investment performance against the Fund's strategic benchmark performance is set out in the table below. Across all periods the returns are positive, and the longer-term return, whilst slightly behind the benchmark, is ahead of the long-term required return set by the fund's actuary of 4.0% (as per the March 2016 triennial valuation).



## Fund account

<b>Opening assets of the fund at 1 April 2017</b>	<b>£2,115.4m</b>
<b>Investment return and income</b>	
Return on investments	£55.0m
Investment income	£17.8m
<b>Dealing with members</b>	
Benefits paid	(£91.2m)
Contributions (including transfer in £7.1m)	£104.4m
<b>Management expenses</b>	(£12.0m)
(including administration, manager fees and governance)	
<b>Closing net assets of the fund at 31 March 2018</b>	<b>£2,189.4m</b>
Closing net assets made up of	
• Market value of fund investment portfolio	£2,167.9m
• Net current assets (debtors, overdraft and creditors)	£21.5m
<b>Total (closing assets of the fund at 31 March 2018)</b>	<b>£2,189.4m</b>

## Ten biggest equity holdings at 31 March 2018

	<b>Company</b>	<b>Market value</b>	<b>Percentage of total fund</b>
1	Royal Dutch Shell	33.3	1.5
2	British American Tobacco	31.9	1.5
3	Microsoft	24.7	1.1
4	HSBC	23.6	1.1
5	Reckitt Benckiser	22.5	1.0
6	Unilever	22.5	1.0
7	BP	16.3	0.8
8	JP Morgan	16.1	0.7
9	Apple	15.6	0.7
10	Visa	15.0	0.7
<b>Total</b>		<b>221.5</b>	<b>10.1</b>

# LPF investment management arrangements

The arrangements for segregated management of the fund's assets, in place at 31 March 2018, are set out below. Portfolio values include cash at the balance sheet date.

## Segregated investment management mandates

Asset class	Manager	Market value £m	% of the fund
Global equities – (Ex UK)	Invesco	502.3	22.9
Global equities	Schroders	123.9	5.7
Global equities	Columbia Threadneedle	132.6	6.1
	<b>Total segregated equities</b>	<b>758.8</b>	<b>34.7</b>

**Pooled funds** – the fund also invests in a number of asset classes by means of collective investment vehicles, also known as pooled funds.

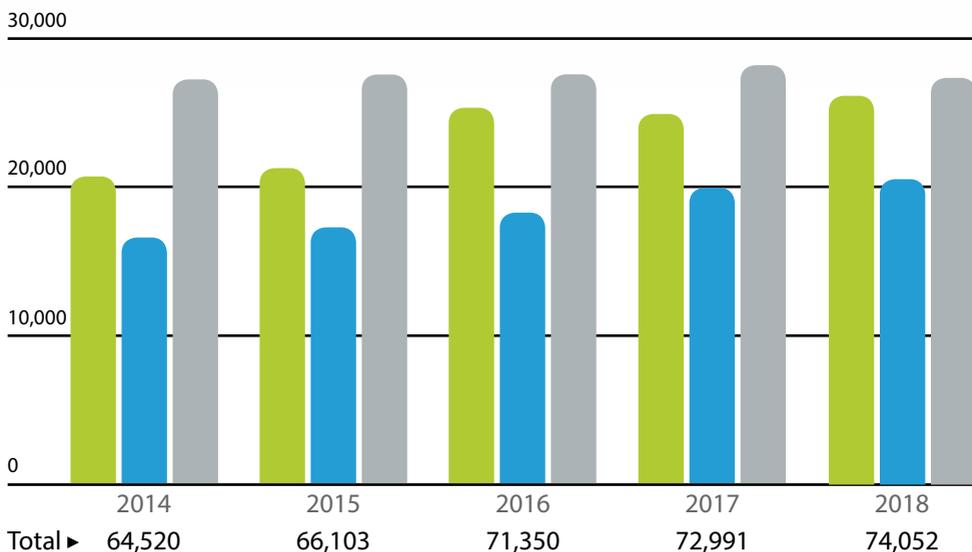
Asset class	Manager	Market value £m	% of the fund
<b>Property and infrastructure</b>	Franklin Templeton	3.9	0.2
	Igloo	2.5	0.1
	Aviva	46.6	2.1
	Royal London	23.5	1.1
	Rreef	0.5	0.0
	Blackrock	41.4	1.9
	Standard Life	76.0	3.5
	<b>Total UK property</b>	<b>194.4</b>	<b>8.9</b>
<b>Infrastructure</b>	Innisfree	32.5	1.5
	Infracapital	1.5	0.1
	Pantheon	1.5	0.1
	<b>Total UK Property</b>	<b>35.5</b>	<b>1.7</b>
<b>Alternatives</b>	Morgan Stanley	268.2	12.2
<b>UK Equities</b>	Legal and General	264.1	12.1
<b>Global Equities</b>	Morgan Stanley	178.7	8.2
<b>Fixed Interest</b>	Blackrock	403.8	18.4
	<b>Total Pooled Vehicles</b>	<b>1,374.0</b>	<b>62.9</b>

# Local Government Pension Scheme membership

There were 74,052 members and beneficiaries from 219 employers at 31 March 2018. The fund is reasonably mature, with deferred members (those that are no longer in the scheme but will be entitled to a pension at some point in the future) making up 37% of the overall membership and pensioner members 28%.



■ Contributors
 ■ Pensioners
 ■ Deferred beneficiaries



# Moving house?

If you move house, we need to know your new address – not only to keep your records up-to-date but to make sure personal or sensitive information doesn't go to your old address, putting you at risk of identity fraud.

So when you move, please let us know about it as soon as you can.

Please also tell your employer you've moved, and if you're paying AVCs, tell your AVC provider.

## Have you checked your statement?

Check your statement carefully every year and if anything looks wrong – especially if it's your pay – tell your employer straightaway. If you're not sure what to look for, watch our short video that shows you at

[www.wyph.org.uk/pensionstatement](http://www.wyph.org.uk/pensionstatement)

## Contact us

**Phone** 01274 434999  
Monday to Friday  
8.45am to 4.30pm

**Email** [pensions@wyph.org.uk](mailto:pensions@wyph.org.uk)

**Postal Address** WYPF  
PO Box 67  
Bradford BD1 1UP

### Visit us in person in Lincoln

**County Offices**  
Newland  
Lincoln, LN1 1YL

Open weekdays 8.00am to 5.15pm  
(4.45pm on Fridays). Ask for the pensions team at reception.

## Privacy and your data

We hold information about you ('personal data') which we need to administer the pension fund. How we use your data is set out in our privacy notice at

[www.wyph.org.uk/privacy](http://www.wyph.org.uk/privacy)



@WYPF\_LGPS



[facebook.com/westyorkshirepensionfund](https://facebook.com/westyorkshirepensionfund)

Published autumn 2018 by West Yorkshire Pension Fund

The information in this newsletter relates to LPP active members only and can't be treated as a statement of the law. Available in large type, Braille or in audio format on request.

# Don't let a scammer enjoy your retirement



Find out how pension scams work, how to avoid them and what to do if you suspect a scam.



Scammers can be articulate and financially knowledgeable, with credible websites, testimonials and materials that are hard to distinguish from the real thing. Scammers design attractive offers to persuade you to transfer your pension pot to them or to release funds from it. It is then invested in unusual and high-risk investments like overseas property, renewable energy bonds, forestry, storage units, or simply stolen outright.

## Scam tactics include:



- contact out of the blue



- promises of high / guaranteed returns



- free pension reviews



- access to your pension before age 55



- pressure to act quickly

## If you suspect a scam, report it

- Report to the Financial Conduct Authority (FCA)  
by contacting their Consumer Helpline on **0800 111 6768** or using the reporting form at [www.fca.org.uk](http://www.fca.org.uk)
- Report to Action Fraud  
on **0300 123 2040** or at [www.actionfraud.police.uk](http://www.actionfraud.police.uk)
- If you're in the middle of a transfer, **contact your provider immediately** and then get in touch with The Pensions Advisory Service (TPAS) at [www.thepensionsadvisoryservice.org.uk](http://www.thepensionsadvisoryservice.org.uk)

# Four simple steps to protect yourself from pension scams

1

## Reject unexpected offers

If you're contacted out of the blue about your pension, chances are it's high risk or a scam. Be wary of free pension review offers. A free offer out of the blue from a company you have not dealt with before is probably a scam. Fortunately, research shows that 95% of unexpected pension offers are rejected.\*

2

## Check who you're dealing with

Check the [Financial Services Register \(www.register.fca.org.uk\)](http://www.register.fca.org.uk) to make sure that anyone offering you advice or other financial services is FCA-authorised.

If you don't use an FCA-authorised firm, you also won't have access to the Financial Ombudsman Service or the Financial Services Compensation Scheme. So you're unlikely to get your money back if things go wrong. If the firm is on the FCA Register, you should call the Consumer Helpline on 0800 111 6768 to check the firm is permitted to give pension advice.

Beware of fraudsters pretending to be from a firm authorised by the FCA, as it could be what we call a 'clone firm'. Use the contact details provided on the FCA Register, not the details they give you.

3

## Don't be rushed or pressured

Take your time to make all the checks you need – even if this means turning down an 'amazing deal'. Be wary of promised returns that sound too good to be true and don't be rushed or pressured into making a decision.

4

## Get impartial information and advice

The [Pensions Advisory Service \(www.thepensionsadvisoryservice.org.uk\)](http://www.thepensionsadvisoryservice.org.uk) – Provides free independent and impartial information and guidance.

[Pension Wise \(www.pensionwise.gov.uk\)](http://www.pensionwise.gov.uk) – If you're over 50 and have a defined contribution (DC) pension, Pension Wise offers pre-booked appointments to talk through your retirement options.

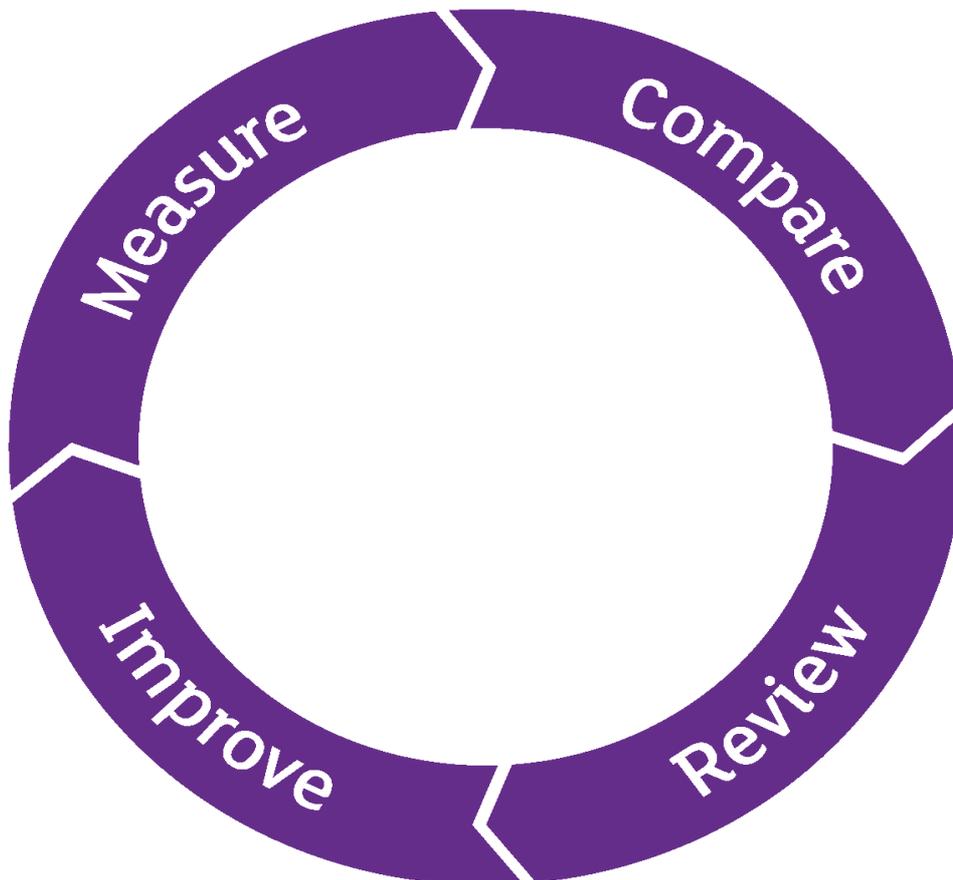
**Financial advisers** – It's important you make the best decision for your own personal circumstances, so you should seriously consider using the services of a financial adviser. If you do opt for an adviser, be sure to use one that is regulated by the FCA and never take investment advice from the company that contacted you or an adviser they suggest, as this may be part of the scam.

Be ScamSmart with your pension. Check who you are dealing with.

Analytics & Research

# pensions administration benchmarking club

2018 - West Yorkshire Pension Fund Comparator Report



# Useful Information

Throughout the report your figures are shown in tables and in graphical form. If you are not familiar with our reports we hope this page will help you to better understand the way we present this data.

## Averages

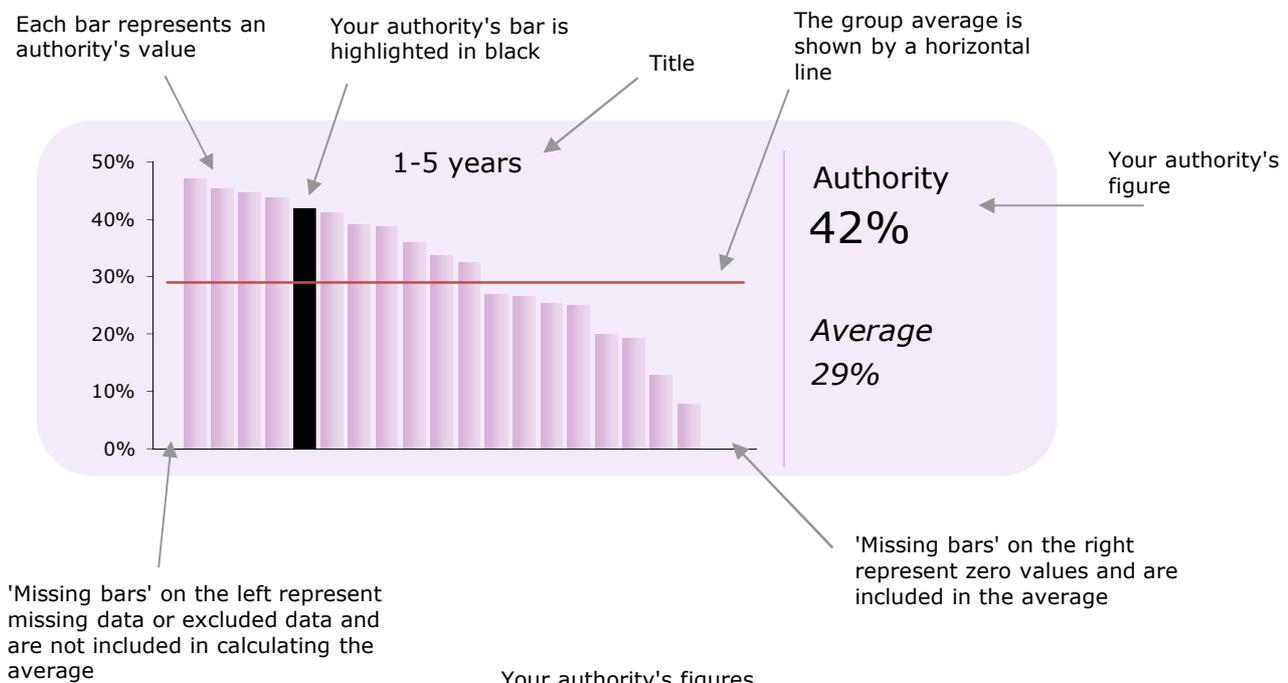
Almost all of our tables and charts compare your figure with a group average. The average is the unweighted mean value for the group. This average value ignores missing data, or data that we have excluded and for this reason sets of averages sometimes do not reconcile precisely.

## Charts

We display a large amount of data on charts as this allows us to show the data for the entire group efficiently and gives far more information than a simple average (i.e. range of data, individual authority values etc.). Below we have annotated an example chart to help explain what they are showing.

### Bar Charts

**These are our standard method of displaying a full set of data**



Staff experience	FTE	%	Avg
< 1 year	1.5	10%	9%
1-5 years	6.5	42%	29%
5-10 years	3.5	23%	21%
> 10 yrs	4.0	26%	41%
<b>Total</b>	<b>15.5</b>		

# Introduction

This report compares your performance with other local authorities who have taken part in the Pensions Administration Benchmarking Club for 2018 and is divided into the following sections.

At the end of the Benchmarking process, your authority will also receive supplemental materials which will provide further depth to this report:

- **Interactive Report:** an Excel spreadsheet containing all the bar charts found in this report. The user can change the charts to show custom comparator groups.
- **Database:** an Excel spreadsheet containing all the data submitted by club members this year. The user can also populate a copy of the questionnaire with the data for any member.
- **Scrapbook:** a report containing an analysis of the responses to the text based parts of the questionnaire.

## Contents

	<b>Page</b>
1 Summary	4
2 Cost Measures	5
3 Workload Measures	11
4 Staff Related Measures	21
5 Industry Standard Performance Indicators	23
6 Comparison by method of service delivery } <i>final report only</i>	24

### Section 1 - Summary

This page provides a brief summary of the most salient aspects of the report.

### Section 2 - Cost Measures

This section concentrates on cost/member ratios starting with total cost/member which is then broken down by staff costs, payroll costs, direct costs, overheads and income.

### Section 3 - Workload Measures

The first measure of workload is the number of members in the scheme, which is shown along with a breakdown by class of membership. This is followed by an analysis of the number and type of LGPS employers.

Other workload measures include:

- Joiners and leavers with a full analysis of the various types of retirements
- Number of quotations provided and actual events processed
- Additional Voluntary Contributions (AVCs), Additional Regular Contributions/Additional Pension Contributions (ARCs/APCs) and Added years

### Section 4 - Staff Related Measures

The measures included here are an analysis of staff numbers by pay band, pensions work experience and staff qualifications.

### Section 5 - Industry Standard Performance Indicators

In this section we show how authorities perform against each of the LGPC performance indicators.

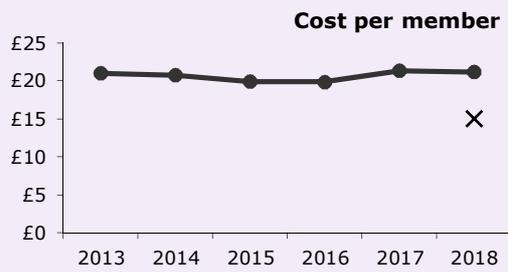
### Section 6 - Comparison by Method of Service Delivery (final report only)

This shows members' costs and averages compared for in-house and externally managed pension schemes.

## SECTION 1 - SUMMARY

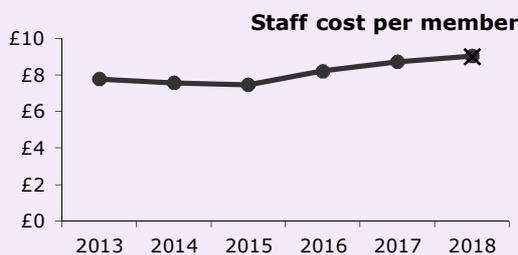
### 5 Year Trend for Net Cost per Member

● Club average      X West Yorkshire Pensi



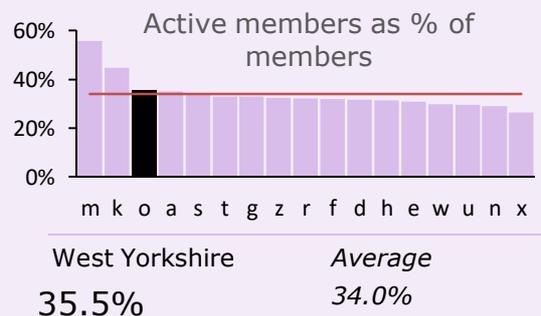
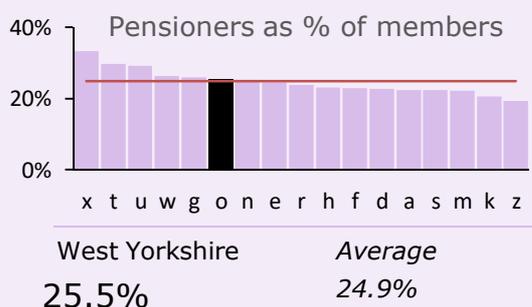
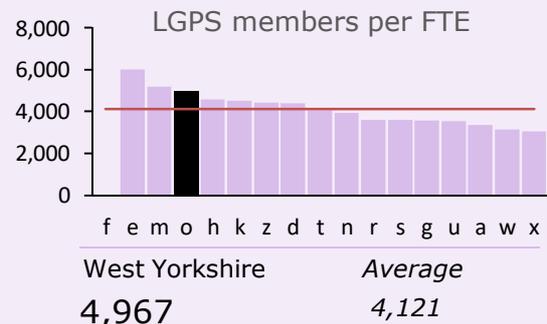
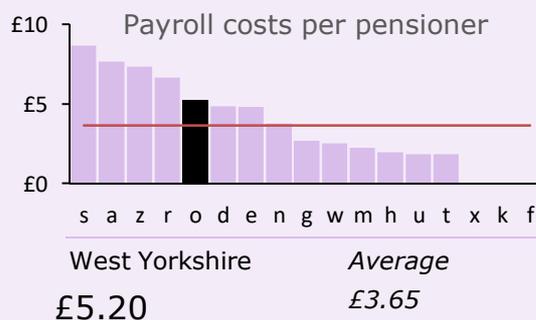
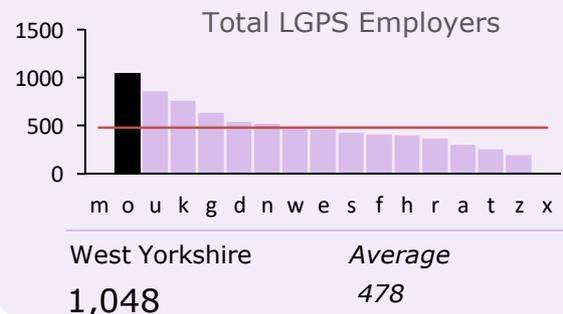
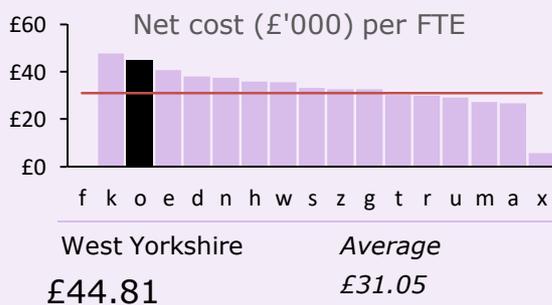
In 2017/18, West Yorkshire Pension Fund had a net cost of £15.1 per member. The average cost per member for all authorities was £21.16. Left is the graph showing the 5 year trend for net cost per member for West Yorkshire Pension Fund and the club average.

### 5 Year Trend for Staff Cost per Member



In 2017/18, West Yorkshire Pension Fund had a net staff cost of £10.35 per member. The average staff cost per member for all authorities was £9.04. Left is the graph showing the 5 year trend for staff cost per member for West Yorkshire Pension Fund and the club average.

### Other Key Findings:

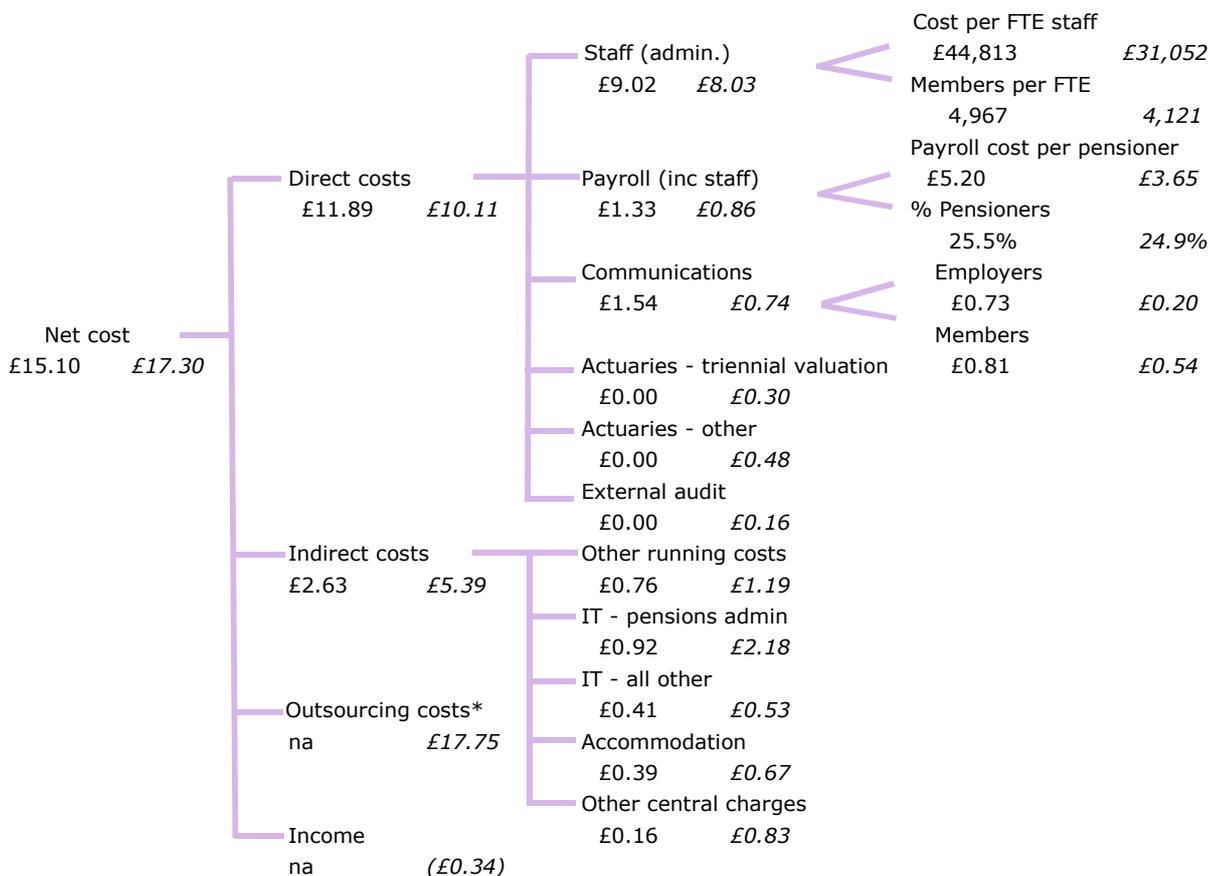


## SECTION 2 - COST MEASURES

### COST PER MEMBERS 2017/18

This tree diagram analyses the cost per member.

For each benchmark two figures are given, the first being West Yorkshire Pension Fund's cost and the second (in italics) is the group average.



FTE Staff		LGPS admin section costs		£'000	£ per member	Avg.
Pension Section total	114.9	Staff - administration		3,244	9.02	8.03
less		Staff - payroll		477	1.33	0.41
IT staff	9.5	Payroll		-	-	0.45
Payroll staff	16.0	Communications - employers		263	0.73	0.20
Communications staff	9.8	Communications - members		291	0.81	0.54
Employing authority work	-	Actuaries - triennial valuation		-	-	0.30
Work for other schemes	6.9	Actuaries - other		-	-	0.48
Other work	0.3	External audit		-	-	0.16
		<b>Total Direct Costs</b>		<b>4,275</b>	<b>11.89</b>	<b>10.11</b>
<b>Admin of LGPS</b>	<b>72.4</b>	Other running costs		273	0.76	1.19
		IT - pensions admin.		332	0.92	2.18
		IT - all other		146	0.41	0.53
		Accommodation		139	0.39	0.67
		Other central charges		57	0.16	0.83
		<b>Total Indirect Costs</b>		<b>947</b>	<b>2.63</b>	<b>5.39</b>
		<b>Outsourcing Costs*</b>		<b>-</b>	<b>na</b>	<b>17.75</b>
		<b>Gross Cost</b>		<b>5,222</b>	<b>14.52</b>	<b>17.59</b>
		Income - members		-	-	(0.07)
		Income - employers		-	-	(0.23)
		Income - other		206	na	(0.02)
		<b>Total Income</b>		<b>206</b>	<b>na</b>	<b>(0.34)</b>
		<b>Net Cost</b>		<b>5,428</b>	<b>15.10</b>	<b>17.30</b>

**Total Scheme Membership**

**Pensioners**

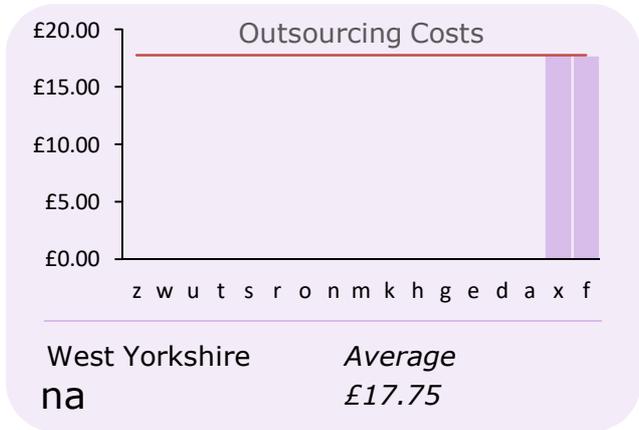
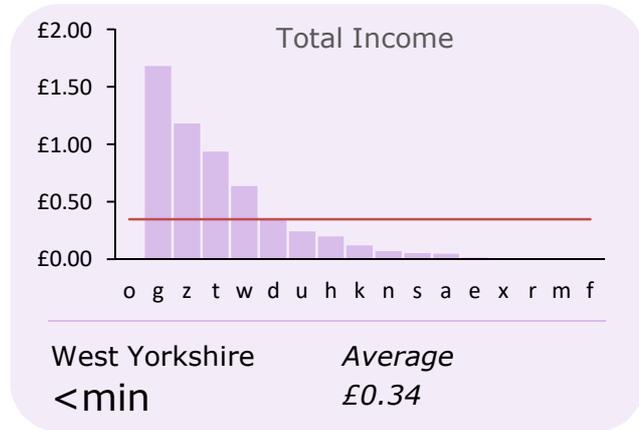
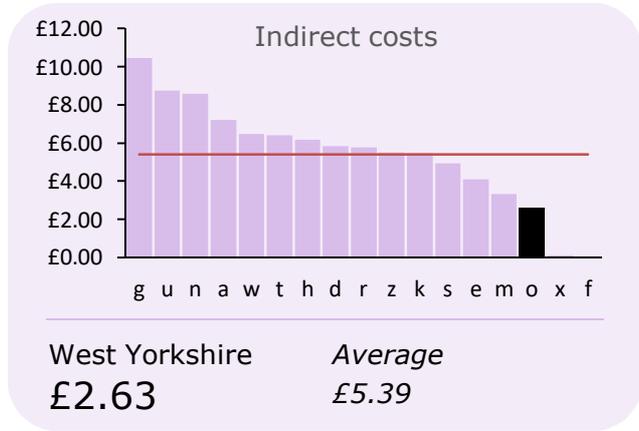
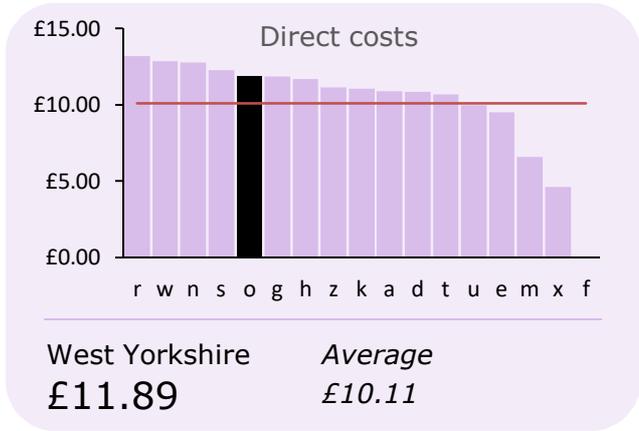
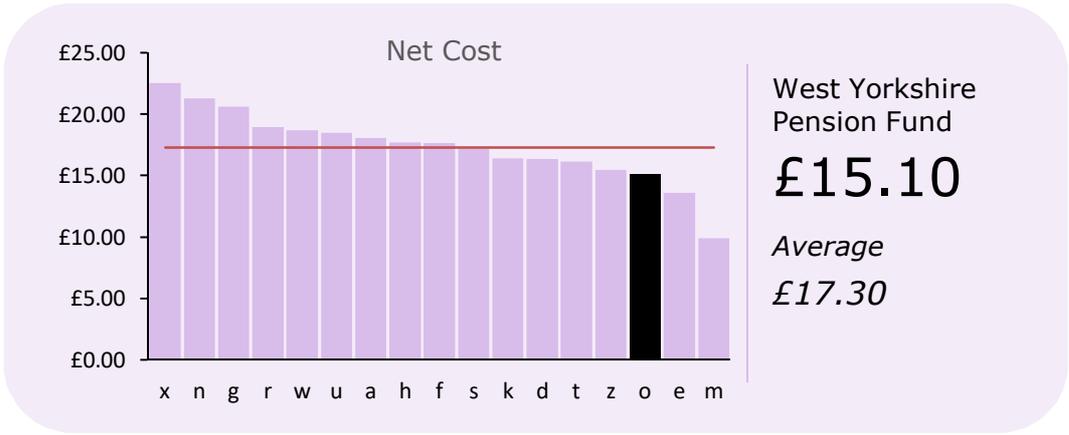
**359,525**

**91,716**

\*Outsourcing costs average only includes those members who have outsourcing costs.

Source: Sections 2 & 3a, 2018 Questionnaire

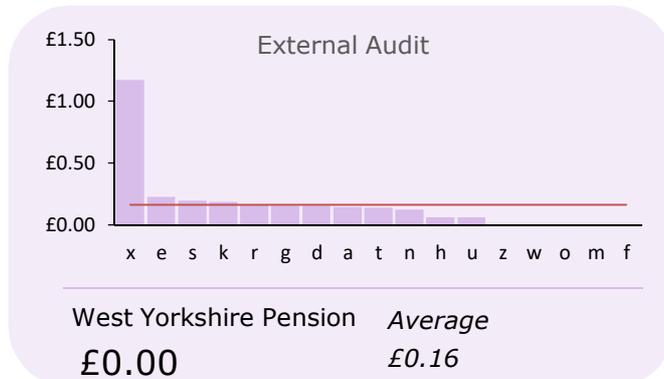
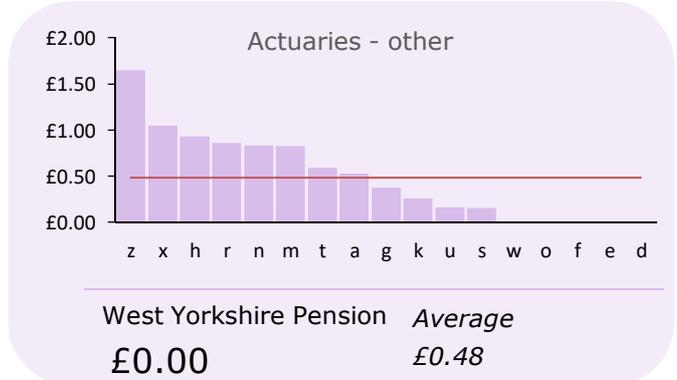
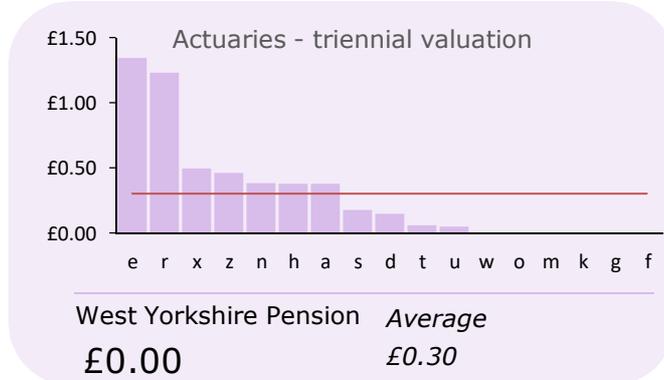
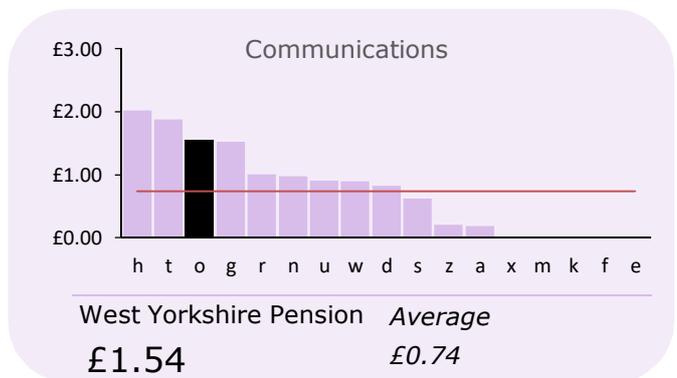
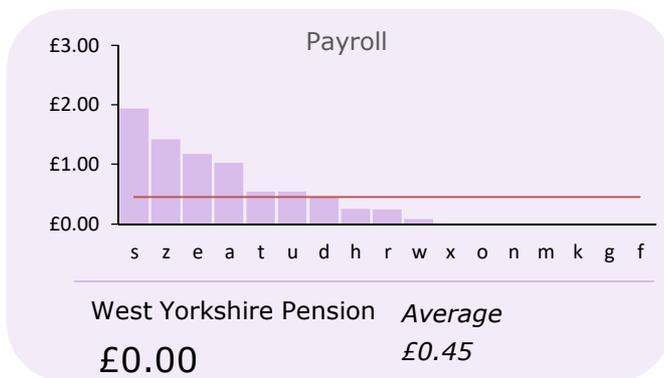
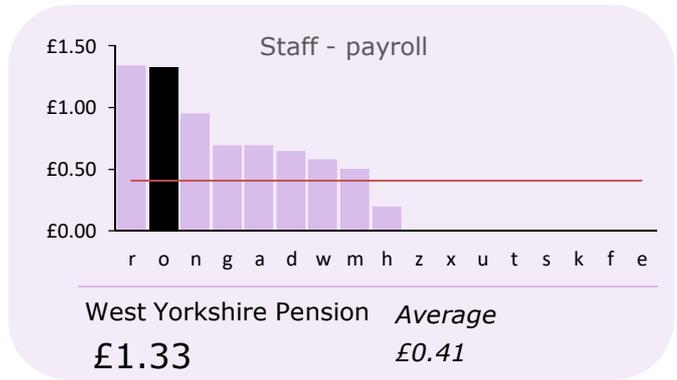
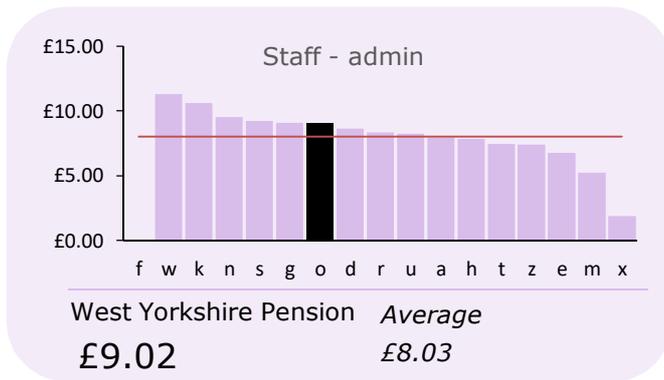
**COST PER MEMBER 2017/18 (continued)**



Source: Section 3a, 2018 Questionnaire

## COSTS PER MEMBER - Direct Costs 2017/18

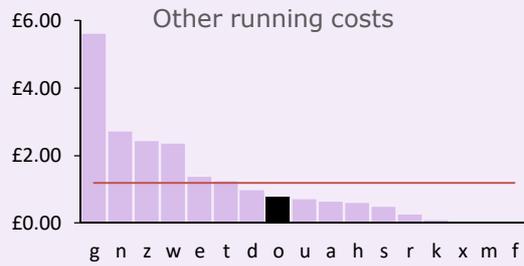
The following graphs are the costs that make up the direct costs that West Yorkshire Pension Fund had during the financial year 2017/18.



Source: Section 3a, Questionnaire 2018

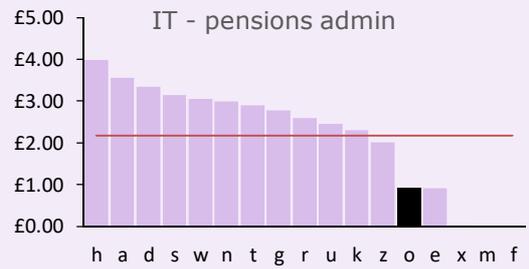
## COSTS PER MEMBER - Indirect Costs 2017/18

The following graphs are the costs that make up the indirect costs that West Yorkshire Pension Fund had during the financial year 2017/18.



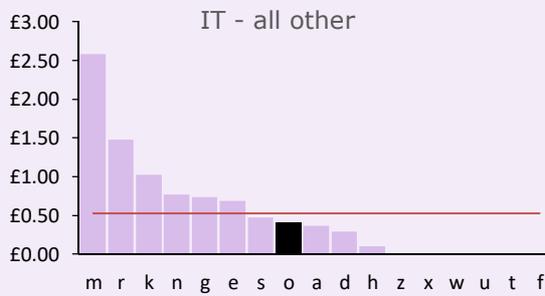
West Yorkshire  
**£0.76**

Average  
**£1.19**



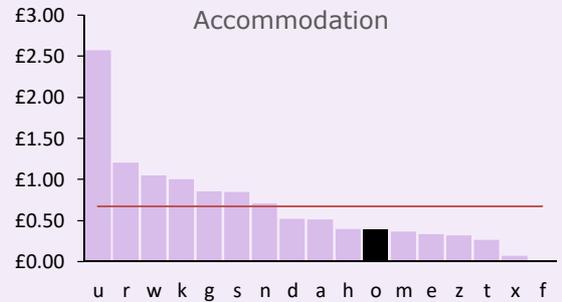
West Yorkshire  
**£0.92**

Average  
**£2.18**



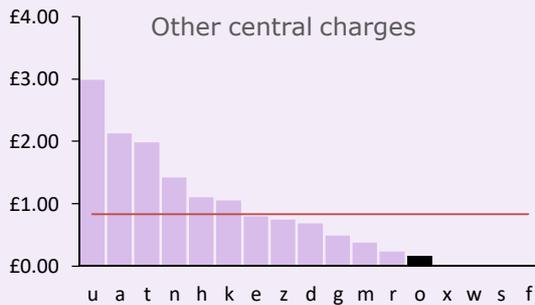
West Yorkshire  
**£0.41**

Average  
**£0.53**



West Yorkshire  
**£0.39**

Average  
**£0.67**

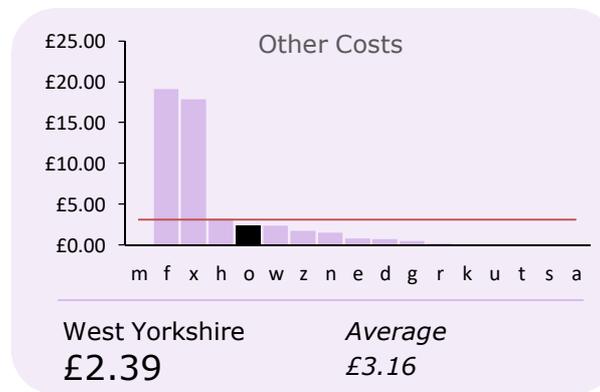
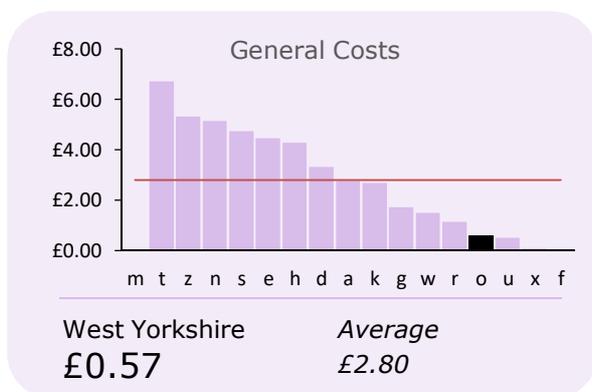
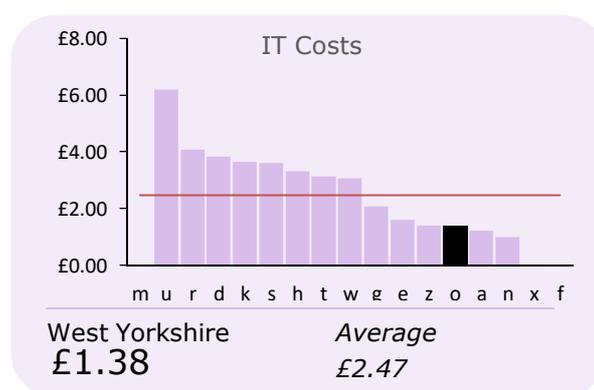
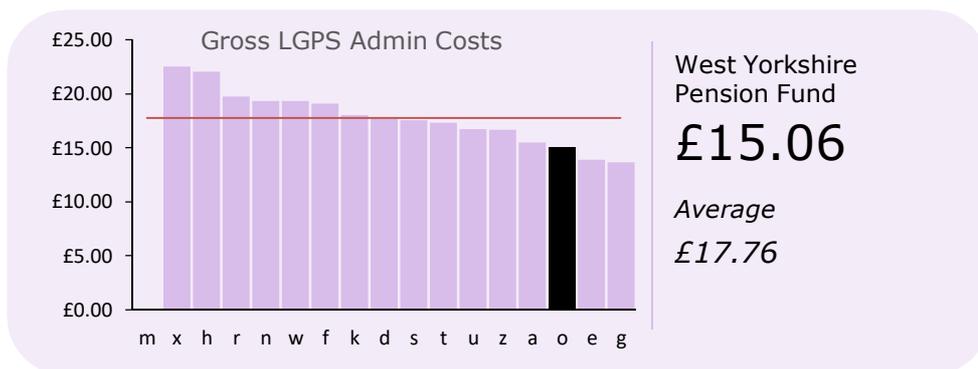


West Yorkshire  
**£0.16**

Average  
**£0.83**

Source: Section 3a, Questionnaire 2018

## LGPS Management Expenses Analysis - Administration Costs 2017/18

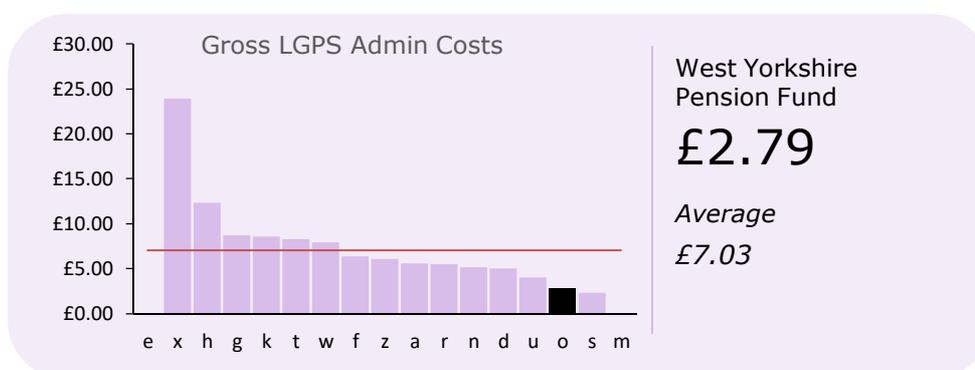


LGPS Administration Expenses	£'000	£ per member	Avg.
Staff Costs	3,859	10.73	9.95
IT Costs	495	1.38	2.47
General Costs	204	0.57	2.80
Other Costs	858	2.39	3.16
<b>Gross LGPS Admin Costs</b>	<b>5,416</b>	<b>15.06</b>	<b>17.76</b>
<b>Gross LGPS Income</b>	<b>1,424</b>	<b>3.96</b>	<b>1.11</b>
<b>Net LGPS Admin Costs</b>	<b>3,992</b>	<b>11.10</b>	<b>15.67</b>

Source: Section 4b, Questionnaire 2018

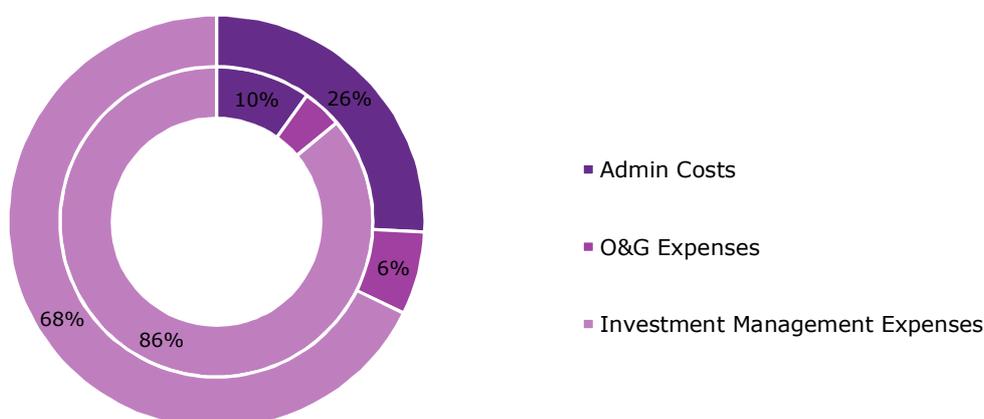
## LGPS Management Expenses Analysis - Oversight & Governance Expenses 2017/18

LGPS O&G Expenses	£'000	£ per member	Avg.
Staffing costs	140	0.39	1.29
External costs	129	0.36	0.43
Investment advisory services costs	17	0.05	0.82
Independent advisors to the pension fund costs	73	0.20	0.16
Operation and support of the pensions committee costs	43	0.12	0.57
Governance and voting services costs	112	0.31	0.66
Statutory/non-statutory reporting staff and/or external costs	34	0.09	0.75
Legal services connected with investment management costs	52	0.14	0.36
Actuarial services costs	158	0.44	0.95
Tax advisory services costs	67	0.19	0.05
Internal audit costs	64	0.18	0.09
External audit costs	71	0.20	0.28
Accountancy services costs	-	-	0.45
Banking services (non-custody) costs	42	0.12	0.05
Transition management services costs	-	-	0.11
<b>Total LGPS O&amp;G Expenses</b>	<b>1,002</b>	<b>2.79</b>	<b>7.03</b>



## LGPS Management Expenses Summary 2017/18

LGPS Management Expenses	£'000	£ per member	Avg.
LGPS Administration Costs	3,992	11.10	15.67
LGPS Oversight and Governance Expenses	1,002	2.79	6.61
LGPS Investment Management Expenses	10,476	29.14	137.14
<b>Total LGPS Management Expenses</b>	<b>15,470</b>	<b>43.03</b>	<b>159.96</b>



The outer ring of the graph above is the figures for West Yorkshire Pension Fund and the inner ring is the average figures. For local authorities with percentages less than 5%, these will not be shown.

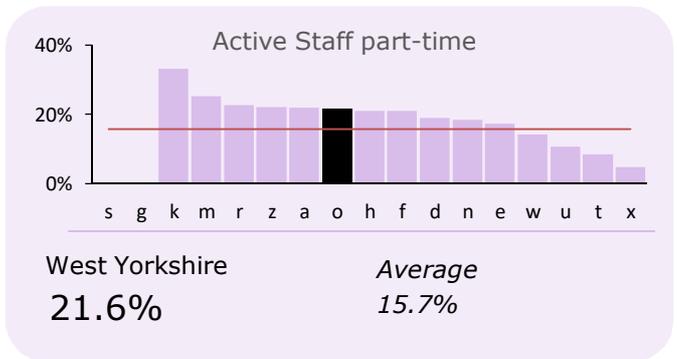
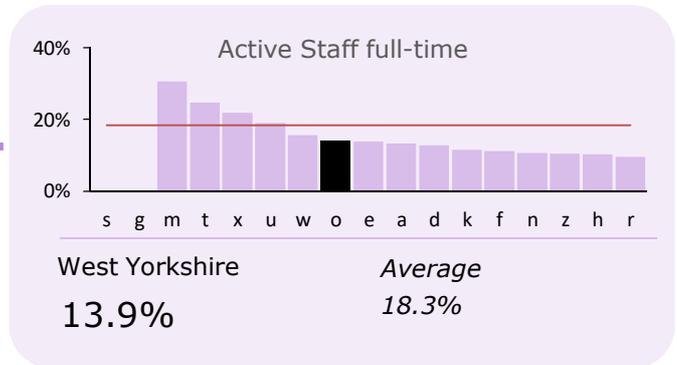
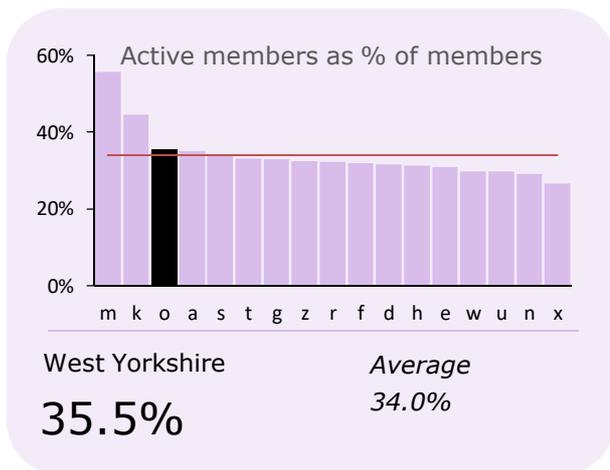
Source: Section 4c, 2018 Questionnaire

## SECTION 3 - WORKLOAD MEASURES

### COMPOSITION OF MEMBERS AS AT 31/03/2018

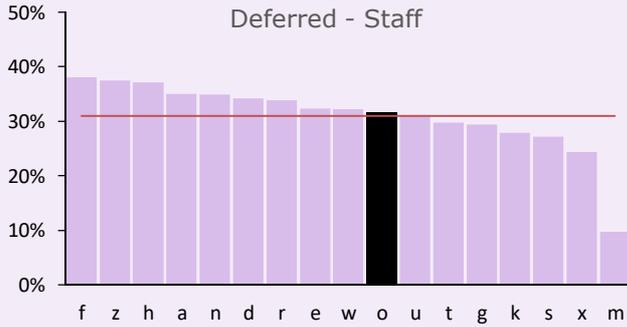
Composition of members	Number	%	Avg.	Avg. %
<b>Active:</b>				
Full-time	50,052	13.9%	31,317	18.3%
Part-time	77,548	21.6%	26,822	15.7%
<b>Sub-total</b>	<b>127,600</b>	<b>35.5%</b>	<b>58,139</b>	<b>34.0%</b>
Deferred - Staff	113,853	31.7%	52,915	30.9%
Pensioners	91,716	25.5%	42,541	24.8%
Dependants	13,766	3.8%	6,707	3.9%
Frozen refunds	7,549	2.1%	5,998	3.5%
Leavers unprocessed/in progress	5,041	1.4%	4,904	2.9%
<b>Total</b>	<b>359,525</b>		<b>171,203</b>	

### Active Members



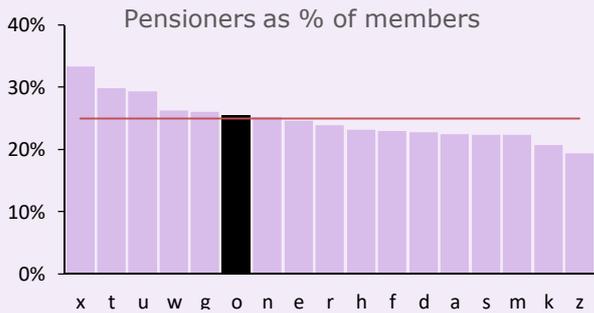
Source: Section 5b, Questionnaire 2018

**Non-Active Members**



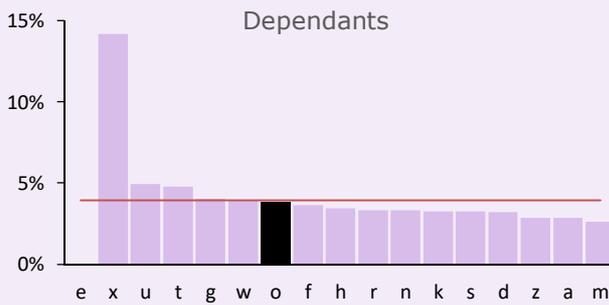
West Yorkshire Pension Fund  
**31.7%**

Average  
31.0%



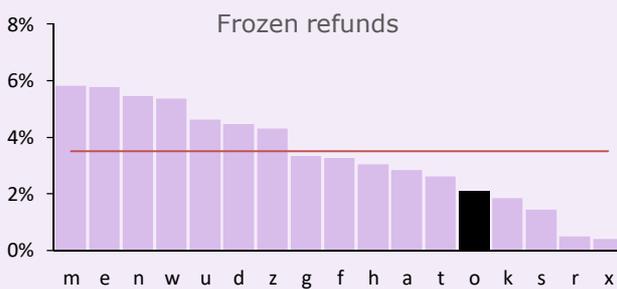
West Yorkshire Pension Fund  
**25.5%**

Average  
24.9%



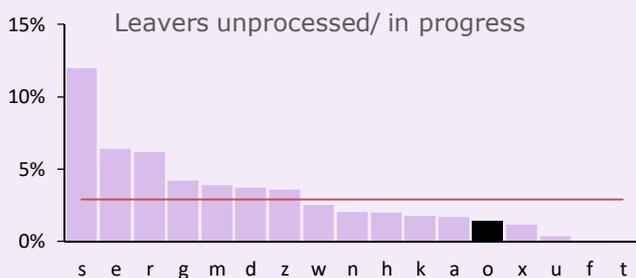
West Yorkshire Pension Fund  
**3.8%**

Average  
3.9%



West Yorkshire  
**2.1%**

Average  
3.5%



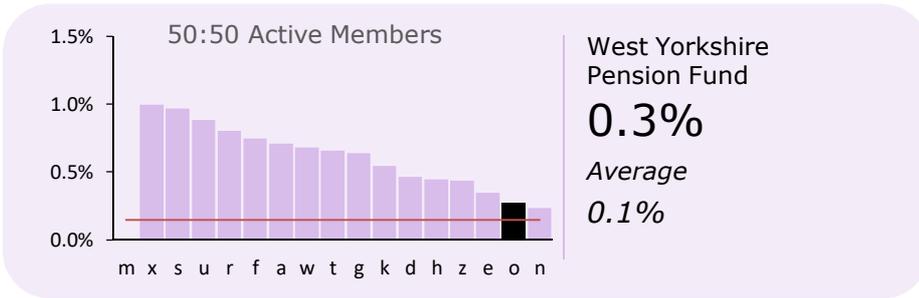
West Yorkshire  
**1.4%**

Average  
2.9%

Source: Section 5b, Questionnaire 2018

## COMPOSITION OF MEMBERS AS AT 31/03/2018

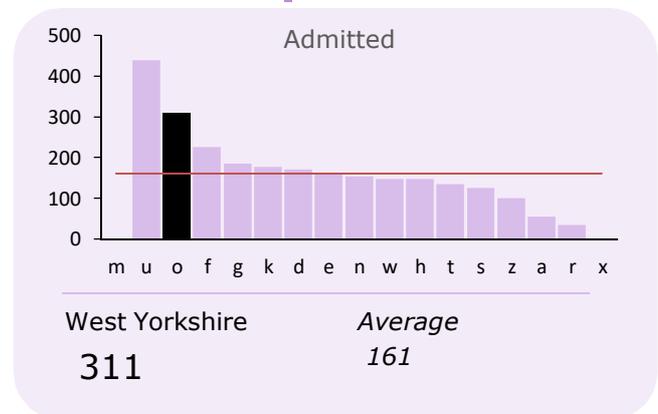
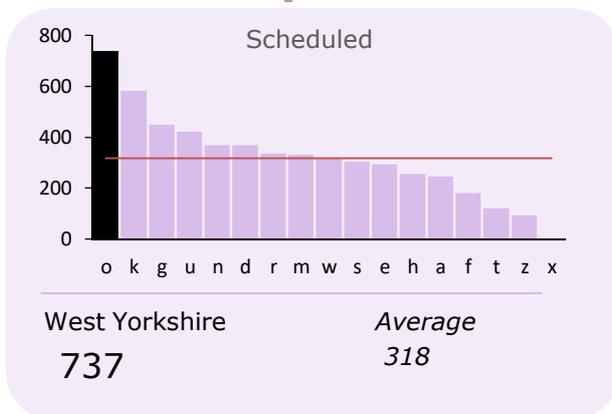
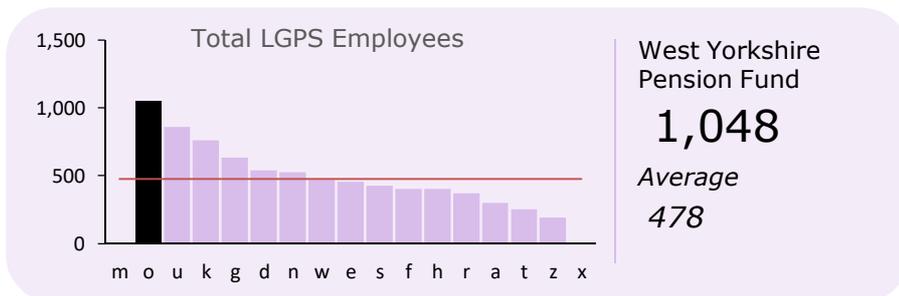
Composition of active members	Number	%	Avg.
50:50	344	0.3%	0.1%



## NUMBER OF LGPS EMPLOYERS AS AT 31/03/2018

LGPS employers (31/03/2018)	Number	Avg.
Scheduled	737	318
Admitted	311	161
<b>Total</b>	<b>1,048</b>	<b>478</b>

Employer changes 2017/18	+/- Changes		Admitted		Leaving	
	Number	Avg.	Number	Avg.	Number	Avg.
Scheduled	28	1	80	30	21	2
Admitted	26	3	32	15	15	8

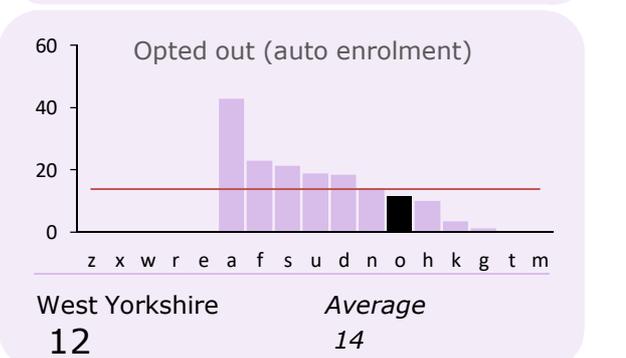
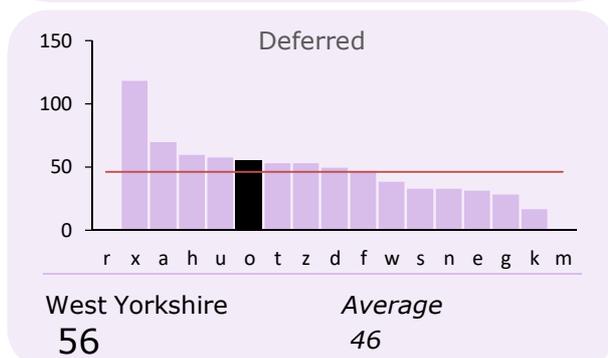
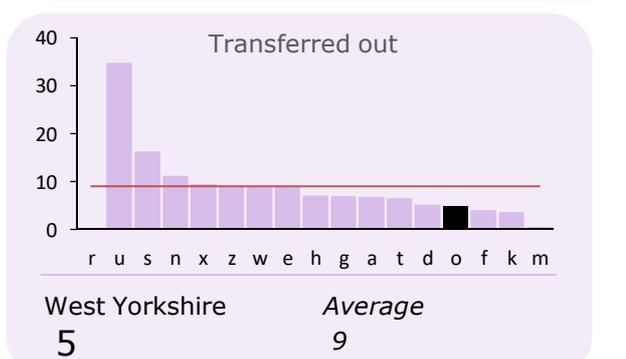
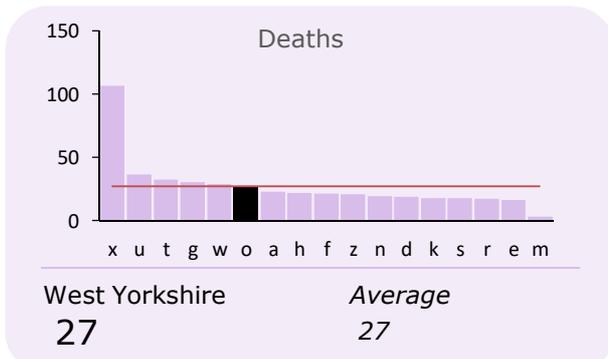
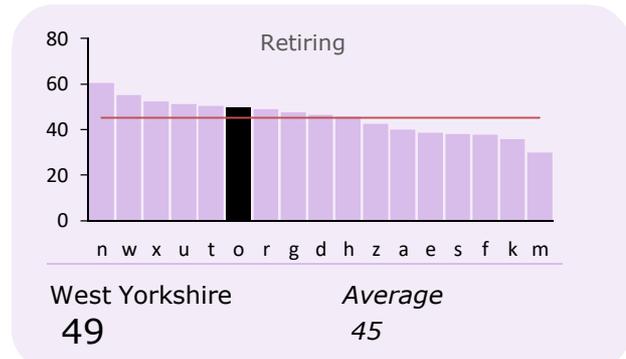
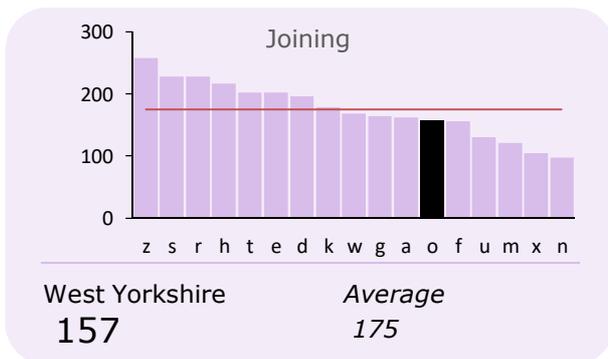
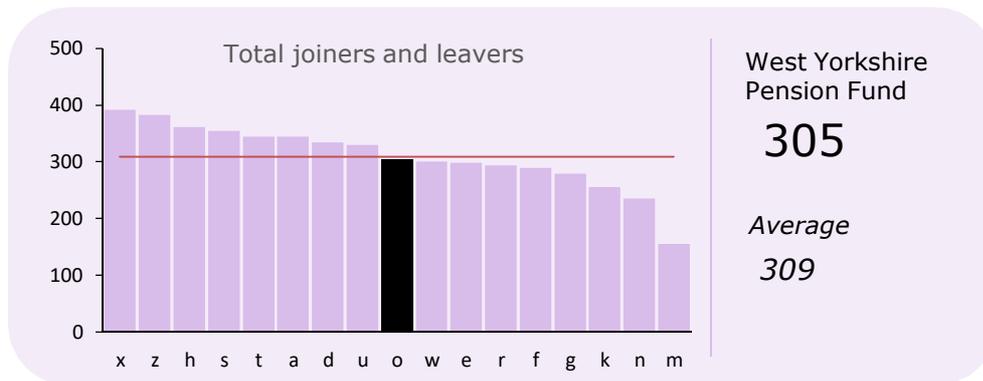


Source: Section 5a & b, Questionnaire 2018

## JOINERS & LEAVERS (per '000 active members) 2017/18

Joiners & Leavers	Number	'000	Avg.
Joining	19,995	157	175
Retiring	6,311	49	45
Deaths	3,414	27	27
Transferred out	621	5	9
Deferred	7,085	56	46
Opted out	1,468	12	14
<b>Total</b>	<b>38,894</b>	<b>305</b>	<b>309</b>

**Active members** 127,600

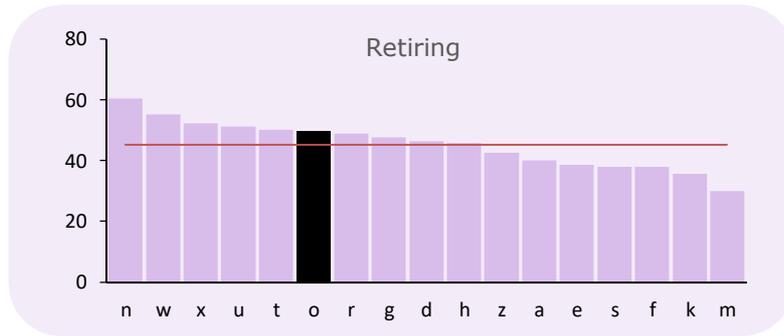


Source: Section 5c, Questionnaire 2018

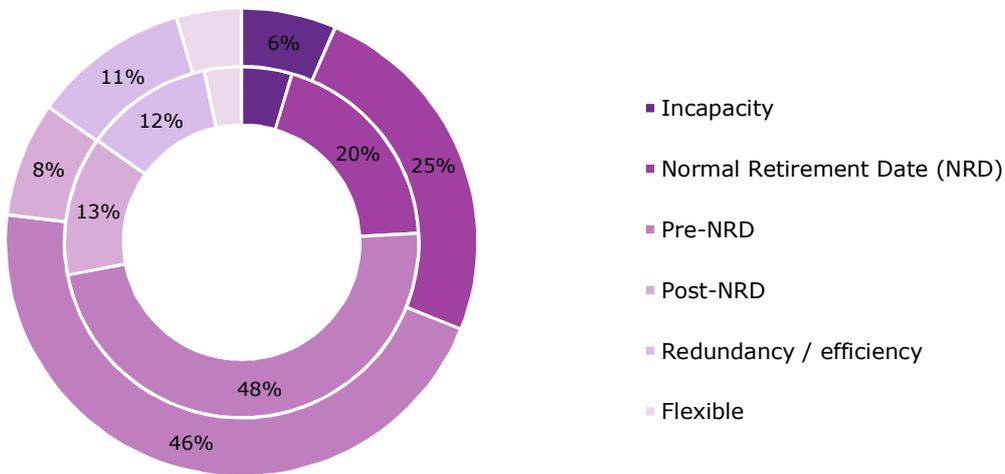
**RETIRING 2017/18 (per '000 active members)**

	Total number	per active members	Average (per '000)
Total LGPS members retiring	6,311	49	45

**Active members** 127,600



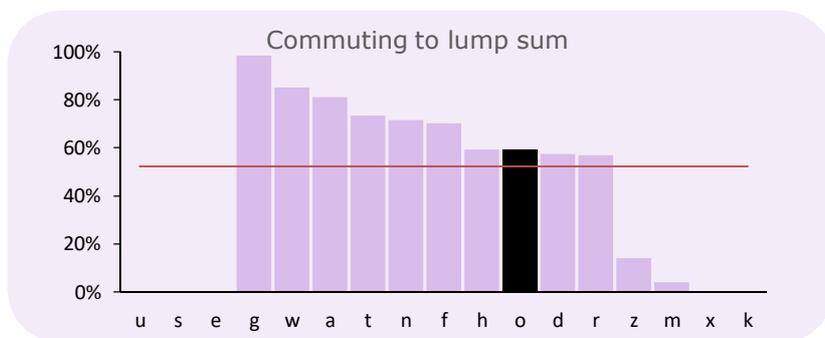
**Retirements**



The outer ring of the graph above is the figures for West Yorkshire Pension Fund and the inner ring is the average figures. For local authorities with percentages less than 5%, these will not be shown.

**Retirements commuting to lump sum**

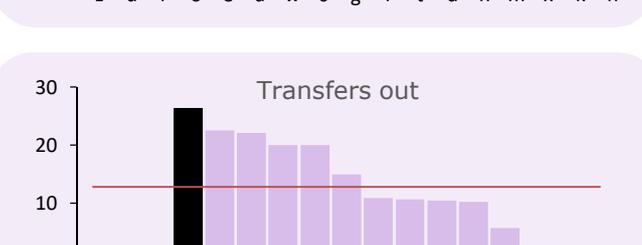
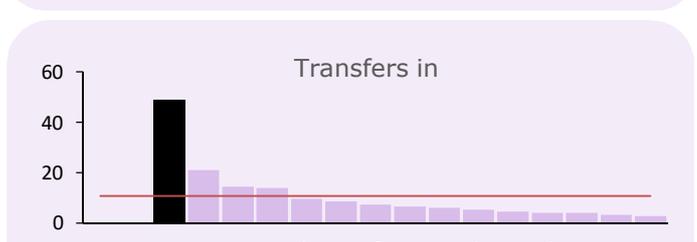
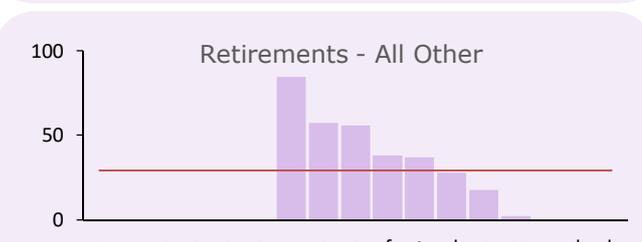
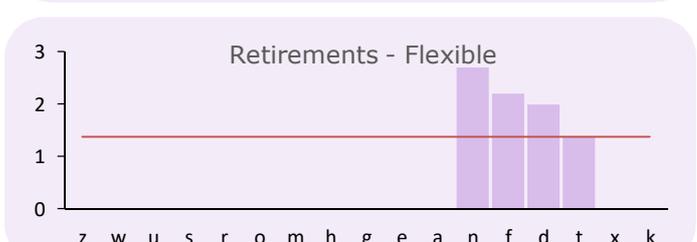
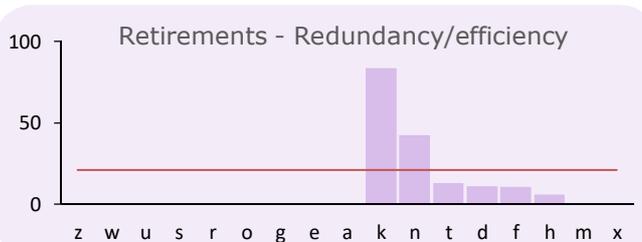
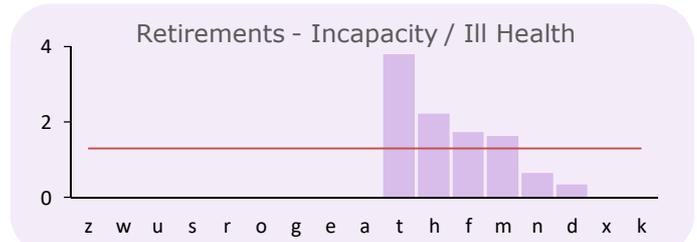
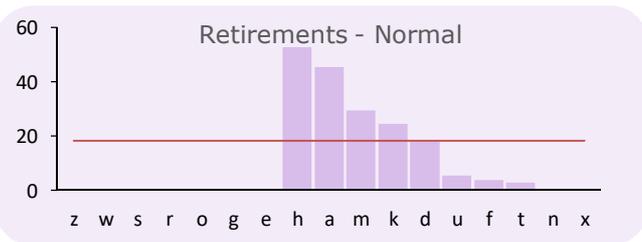
Number	% total	Avg.
3,743	59%	52%



Source: Section 5d, Questionnaire 2018

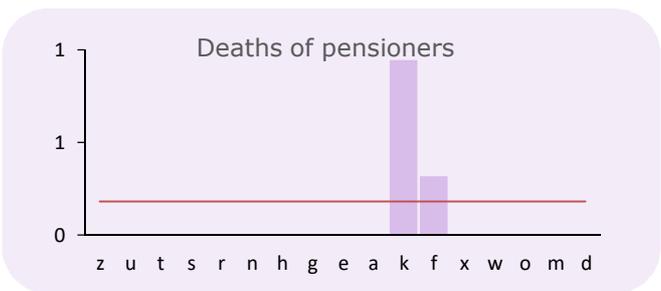
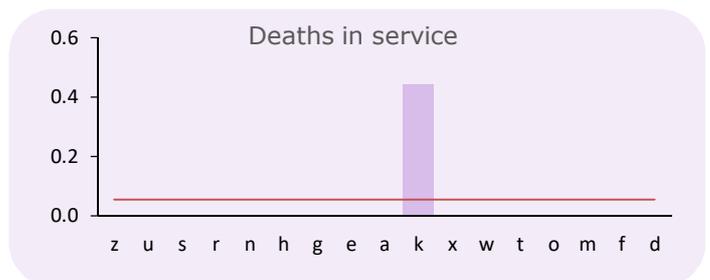
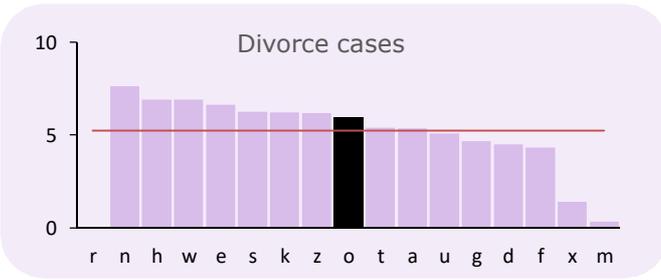
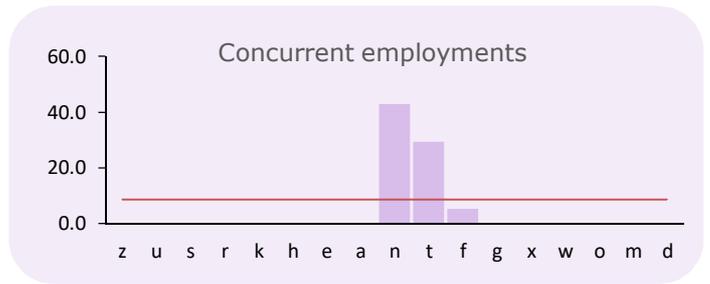
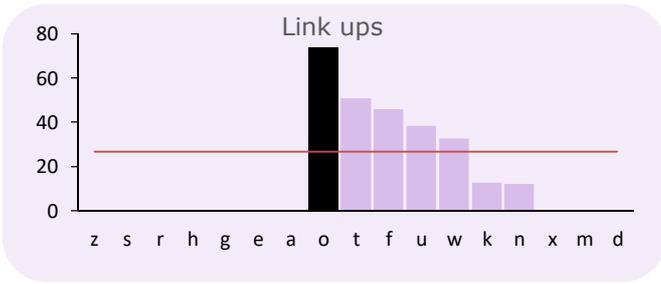
## NUMBER OF QUOTATIONS PROVIDED IN 2017/18 (per '000 active members)

Number of bulk transfers	Number	'000	'000 Avg.	
TUPE - in	-	-	1.4	
TUPE - out	-	-	1.5	
Academies	10	0.1	0.4	
Quotations provided	Number	'000	Avg.	Active members
TUPE - in	-	-	-	127,600
TUPE - out	-	-	-	
Academies	-	-	-	
Transfers in	6,256	49.0	10.6	
Transfers out	3,360	26.3	12.8	
Transfers intra	na	na	8.7	
Retirements:				
- Normal	na	na	18.3	
- Incapacity/ill-health	na	na	1.3	
- Redundancy/efficiency	na	na	21.0	
- Flexible	na	na	1.4	
- All other	na	na	29.1	
Link ups	9,410	73.7	26.7	
Concurrent employments	-	-	8.6	
Divorce cases	763	6.0	5.2	
Deaths in service	-	-	0.1	
Deaths of pensioners	-	-	0.2	



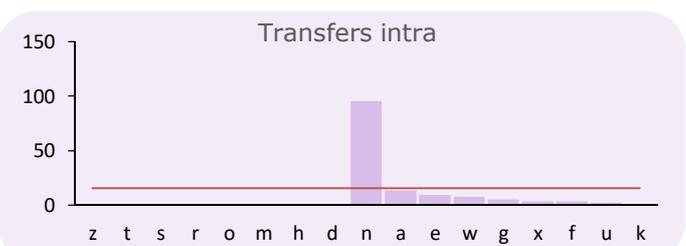
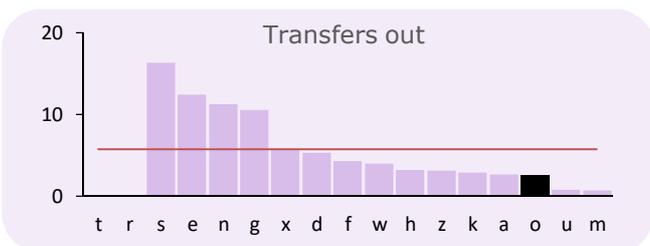
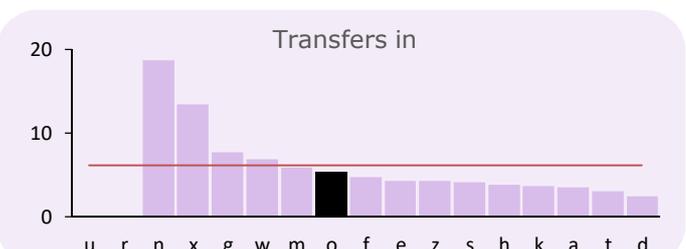
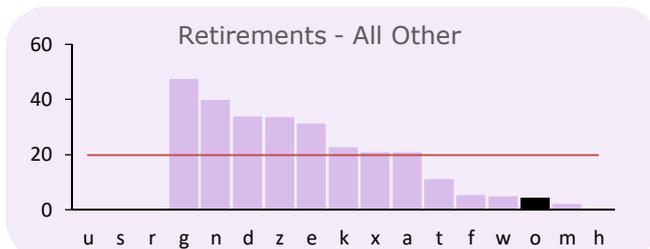
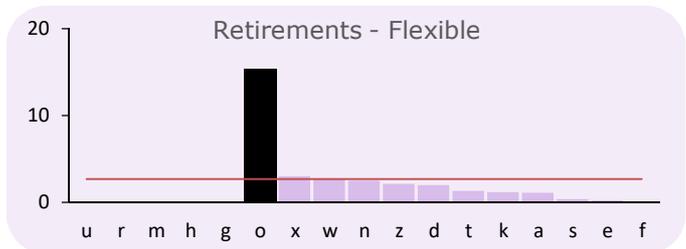
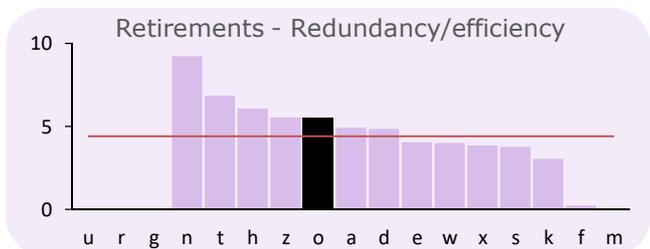
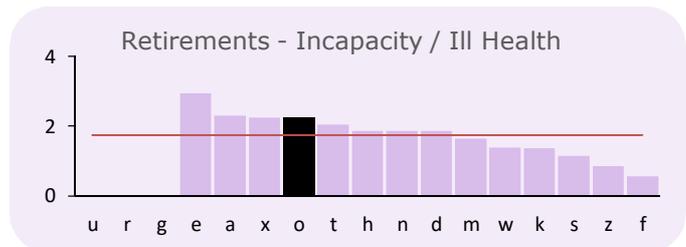
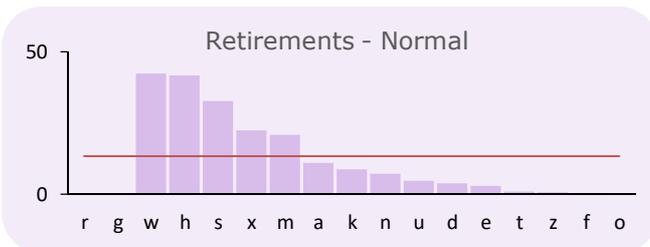
Source: Section 5f, Questionnaire 2018

**NUMBER OF QUOTATIONS PROVIDED IN 2017/18 (continued)**



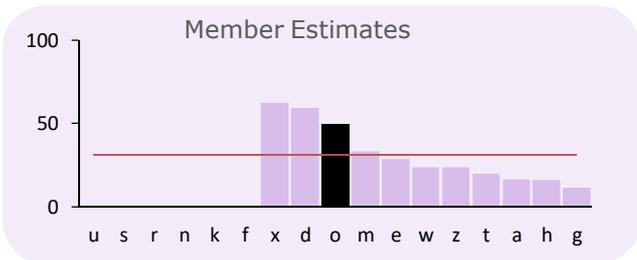
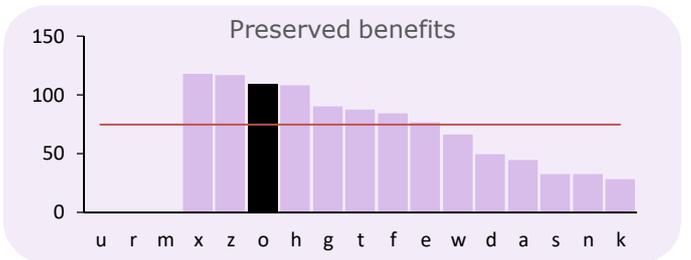
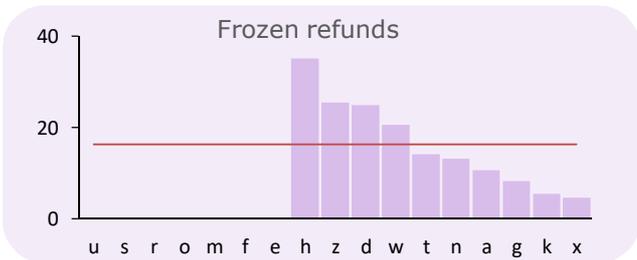
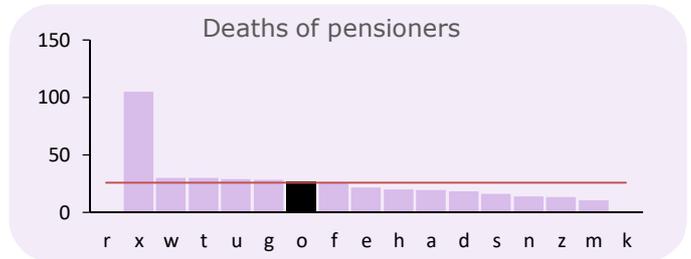
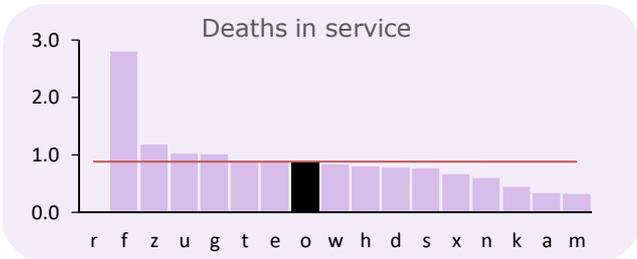
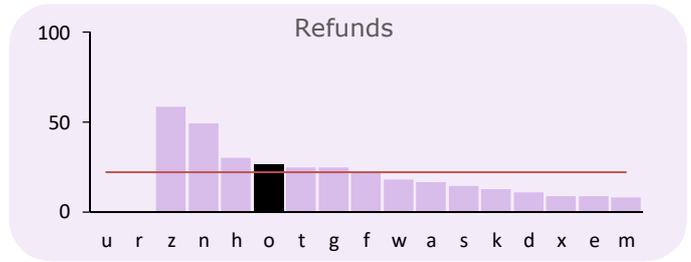
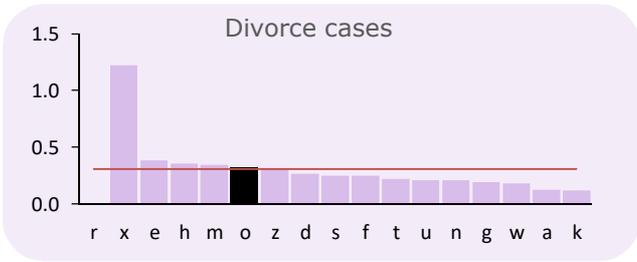
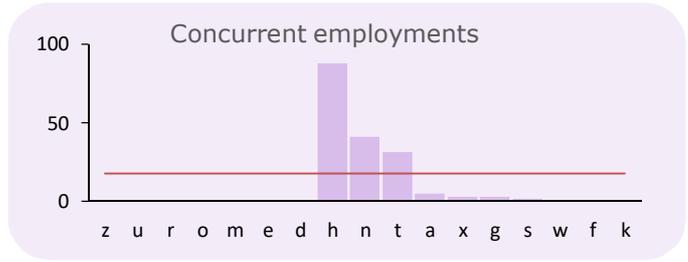
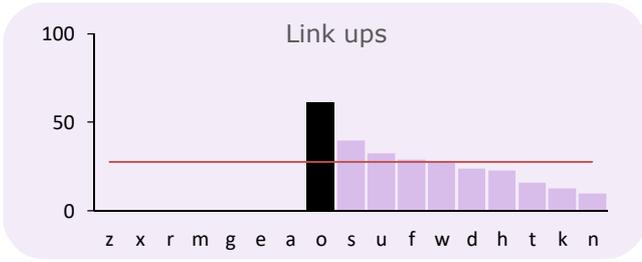
## NUMBER OF ACTUAL EVENTS PROCESSED IN 2017/18 (per '000 active members)

Actual events	Number	'000	'000 Avg.	Active members
TUPE - in	-	na	na	127,600
TUPE - out	-	na	83.4	
Academies	-	na	21.9	
Transfers in	677	5.3	6.1	
Transfers out	324	2.5	5.7	
Transfers intra	-	na	15.9	
Retirements:				
- Normal	27	0.2	13.3	
- Incapacity/ill-health	287	2.2	1.7	
- Redundancy/efficiency	704	5.5	4.4	
- Flexible	1,956	15.3	2.6	
- All other	527	4.1	19.9	
Link ups	7,837	61.4	27.5	
Concurrent employments	-	na	17.6	
Divorce cases	41	0.3	0.3	
Refunds	3,335	26.1	22.3	
Deaths in service	111	0.9	0.9	
Death of pensioners	3,386	26.5	25.4	
Frozen refunds	-	na	16.2	
Preserved benefits	13,844	108.5	74.5	
Single Status / Job Evaluation	-	na	na	
Members Estimates	6,317	49.5	31.4	



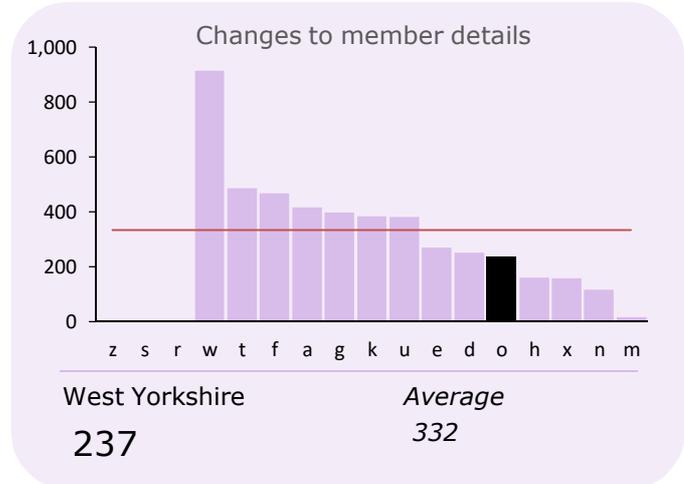
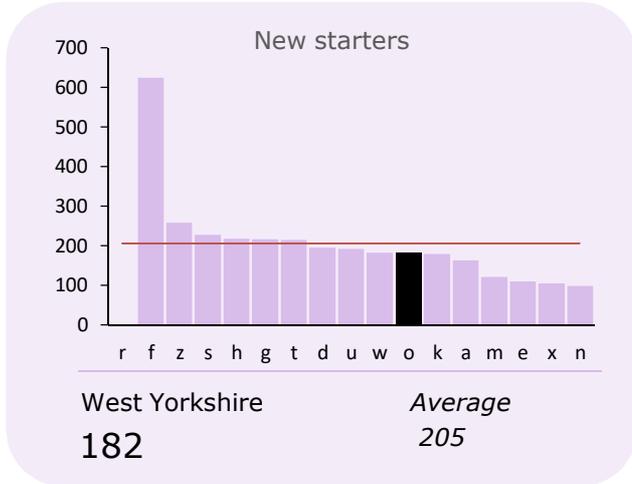
Source: Section 5f, Questionnaire 2018

**NUMBER OF ACTUAL EVENTS (continued)**



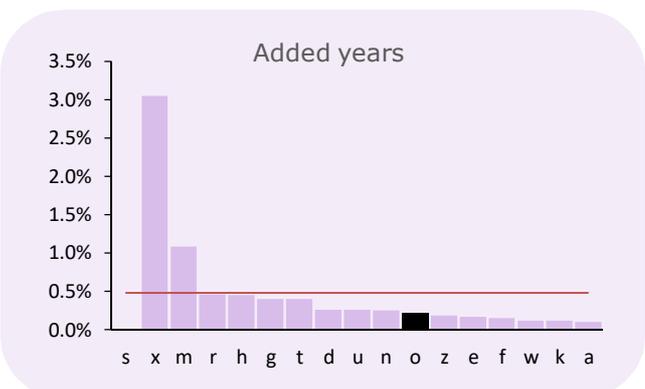
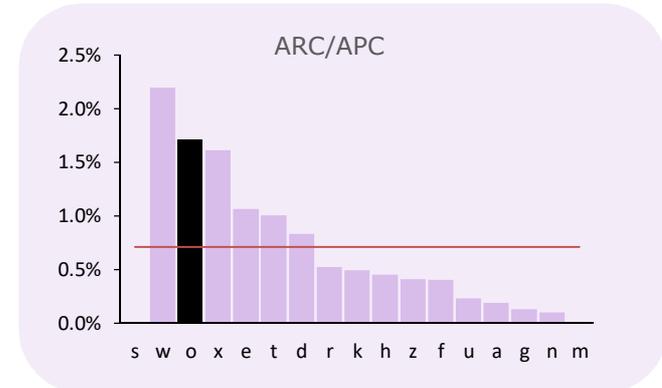
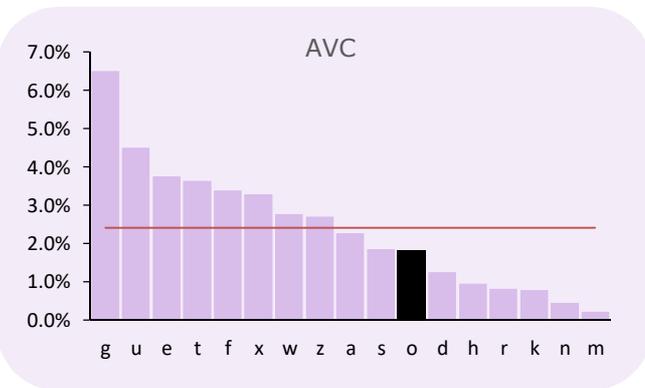
## ACTUAL CALCULATIONS 2017/18 (per '000 active members)

Actual calculations	Number	per '000	Avg.	Active members
New starters	23,172	182	205	127,600
Changes to member details	30,180	237	332	



## AVCs, ARCs and added years 2017/18 (as a % of active members)

Contributors to AVCs and ARCs	Number	%	Avg.	Active members
<b>Currently contributing</b>				127,600
- AVC	2,320	1.8%	2.4%	
- ARC/APC	2,188	1.7%	0.7%	
- Added years	270	0.2%	0.5%	
<b>Total</b>	<b>4,778</b>	<b>3.7%</b>	<b>3.5%</b>	



## SECTION 4 - STAFF RELATED MEASURES

*as at 31 March 2018*

Staff Pay	FTE	%	Avg.
> £75k	1.0	0.9%	0.5%
£50-75k	2.2	1.9%	2.3%
£40-50k	10.2	8.9%	6.0%
£30-40k	27.9	24.3%	14.9%
£25-30k	13.2	11.5%	17.9%
£20-25k	46.1	40.1%	33.0%
< £20k	14.3	12.4%	25.4%
<b>Total</b>	<b>114.9</b>		

Staff Experience	FTE	%	Avg.
< 1 year	7.4	6%	10%
1-5 years	27.6	24%	21%
5-10 years	8.8	8%	18%
10-15 years	26.1	23%	15%
> 15 years	45.0	39%	35%
<b>Total</b>	<b>114.9</b>		



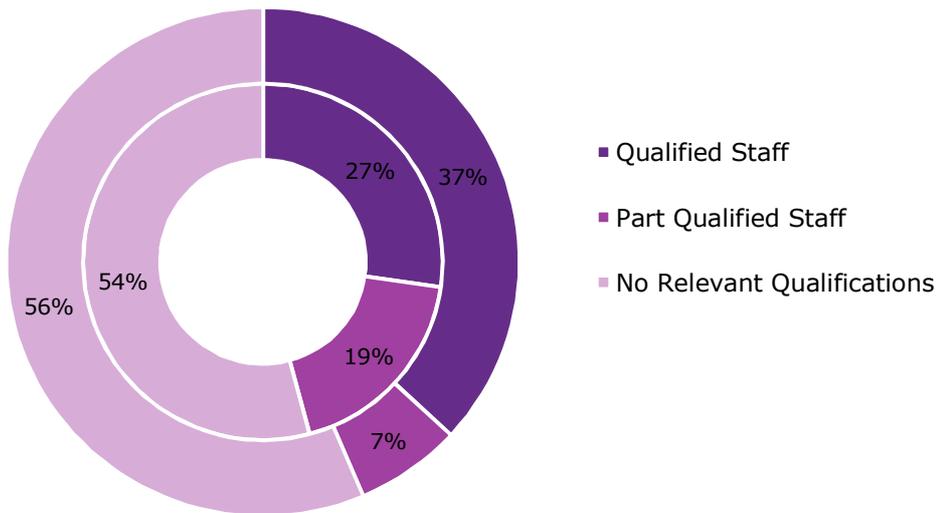
The dark purple markers in the graphs above show the average of all respondents achieving each performance indicator.

Source: Section 6a & b, Questionnaire 2018

## STAFF QUALIFICATIONS

as at 31 March 2018

Staff Qualifications	FTE	%	Avg.
Qualified Staff	42.4	37%	27%
Part Qualified Staff	7.7	7%	19%
No Relevant Qualifications	64.8	56%	54%
<b>Total</b>	<b>114.9</b>		
Number in Training	11.0	10%	4%



The outer ring of the graph above is the figures for West Yorkshire Pension Fund and the inner ring is the average figures. For local authorities with percentages less than 5%, these will not be shown.

## SECTION 5 - INDUSTRY STANDARD PI'S

Industry Standard PI's	Target	Achieved	Avg.
1 Letter detailing transfer in quote	10 days	na	83.6%
2 Letter detailing transfer out quote	10 days	na	84.0%
3 Process and pay refund	5 days	na	90.0%
4 Letter notifying <b>estimate</b> of retirement benefit	10 days	na	90.0%
5 Letter notifying <b>actual</b> retirement benefit	5 days	na	89.1%
6 Process and pay lump sum retirement grant	5 days	na	92.1%
7 Letter acknowledging death of member	5 days	na	91.1%
8 Letter notifying amount of dependant's benefits	5 days	na	86.2%
9 Calculate and notify deferred benefits	10 days	na	73.8%

**Achieved industry standard PI's**



The dark purple markers in the graph above show the average of all respondents achieving each performance indicator.

Source: Section 9, Questionnaire 2018

## COMPARATOR REPORT SUMMARY DATA 2018 - West Yorkshire Pension Fund

		Members						Leavers	Total
		Full-time	Part-time	Deferred	Pensioners	Dependants	Frozen refunds	unprocessed/in progress	
h	Bath	11,973	24,408	43,148	26,847	4,005	3,539	2,297	116,217
m	Business Services Organisation	44,393	36,498	14,097	32,392	3,800	8,446	5,647	145,273
d	Devon	24,356	36,007	65,278	43,294	6,121	8,527	7,030	190,613
a	East Riding	15,073	24,970	39,989	25,595	3,239	3,239	1,922	114,027
x	Environment Agency	8,777	1,879	9,792	13,365	5,693	158	464	40,128
k	Essex	19,359	55,741	46,846	34,765	5,455	3,111	2,957	168,234
s	Kent	52,775	na	42,376	34,780	5,033	2,232	18,650	155,846
f	Lancashire	19,782	37,094	67,753	40,793	6,497	5,818	4	177,741
r	Norfolk	8,512	20,254	30,281	21,328	2,964	449	5,527	89,315
z	North Yorkshire	10,115	21,522	36,568	18,805	2,779	4,192	3,466	97,447
e	Nottinghamshire	19,780	24,656	46,448	35,245	na	8,275	9,202	143,606
t	South Tyneside	33,883	11,582	40,950	40,931	6,556	3,584	-	137,486
w	South Yorkshire Pensions Authority	25,940	23,404	53,427	43,518	6,464	8,884	4,127	165,764
n	Staffordshire	12,400	21,311	40,559	29,296	3,843	6,333	2,349	116,091
u	Tameside	70,174	39,094	114,548	107,741	18,223	16,981	1,288	368,049
g	West Midlands Pension Fund	105,047	na	93,634	82,792	12,872	10,653	13,398	318,396
o	West Yorkshire Pension Fund	50,052	77,548	113,853	91,716	13,766	7,549	5,041	359,525

CIPFA has been advised that this data is exempt under Sections 41 and 43(2) of the Freedom of Information Act.

Disclosure of the data would breach your confidentiality agreement with CIPFA and would prejudice CIPFA's commercial interests.

Please contact us before releasing any data. Please do not attach this page to the report or show it to anyone other than your immediate colleagues.

## COMPARATOR REPORT SUMMARY DATA 2018 - West Yorkshire Pension Fund

### LGPS costs £'000

	Staff	Payroll	Central charges	IT - Pensions admin	Other costs	Income - Members	Income - Employers	Income - Other	Net cost	Cost per member
h Bath	914	53	128	463	521	(6)	(17)	-	2,056	£17.69
m Business Services Organisation	763	73	55	-	548	-	-	-	1,439	£9.91
d Devon	1,647	210	130	638	555	-	(65)	-	3,115	£16.34
a East Riding	907	196	242	406	314	(5)	-	-	2,060	£18.07
x Environment Agency	76	-	-	1	828	-	-	-	905	£22.54
k Essex	1,783	-	177	388	432	-	-	(20)	2,760	£16.41
s Kent	1,436	302	-	489	458	(8)	-	-	2,677	£17.18
f Lancashire	-	-	-	-	3,137	-	-	-	3,137	£17.65
r Norfolk	746	142	21	232	553	-	-	-	1,694	£18.97
z North Yorkshire	721	138	73	196	494	(4)	(111)	-	1,507	£15.46
e Nottinghamshire	971	169	114	131	569	(2)	-	-	1,952	£13.59
t South Tyneside	1,025	75	273	398	574	(128)	-	(1)	2,216	£16.12
w South Yorkshire Pensions Authority	1,871	110	-	507	712	(8)	(60)	(37)	3,095	£18.67
n Staffordshire	1,104	111	165	347	754	(5)	-	(3)	2,473	£21.30
u Tameside	3,037	198	1,100	906	1,642	(14)	(75)	-	6,794	£18.46
g West Midlands Pension Fund	2,896	221	155	885	2,944	-	(536)	-	6,565	£20.62
o West Yorkshire Pension Fund	3,244	477	57	332	1,112	-	-	206	5,428	£15.10

CIPFA has been advised that this data is exempt under Sections 41 and 43(2) of the Freedom of Information Act.

Disclosure of the data would breach your confidentiality agreement with CIPFA and would prejudice CIPFA's commercial interests.

Please contact us before releasing any data. Please do not attach this page to the report or show it to anyone other than your immediate colleagues.

**CIPFA is the leading professional accountancy body for public services, whether provided by the public or private sectors. It provides education and training in accountancy and financial management, and sets and monitors professional standards.**

CIPFA also provides professional services to public sector organisations and managers. These include: statistical and technical information services, research services, consultancy, advisory networks and forums.

CIPFA holds more data on local government performance than any other organisation in the world and our Corporate Services Benchmarking Clubs are the market leader in local government benchmarking, with high levels of participation and customer satisfaction. Our detailed reports, databases, and interactive tools provide you with solid evidence to support decisions on budget and improvement.

### We also do...

In addition to Pensions, other Benchmarking Clubs include Accountancy, Creditors, Debtors and Payroll.

We also provide other Pensions related services through TISonline.

To learn more about other benchmarking clubs in areas such as Adult Social Care and Children's Services, or to see our Value for Money indicator stream, please see our website:

[www.cipfa.org/services/benchmarking](http://www.cipfa.org/services/benchmarking)

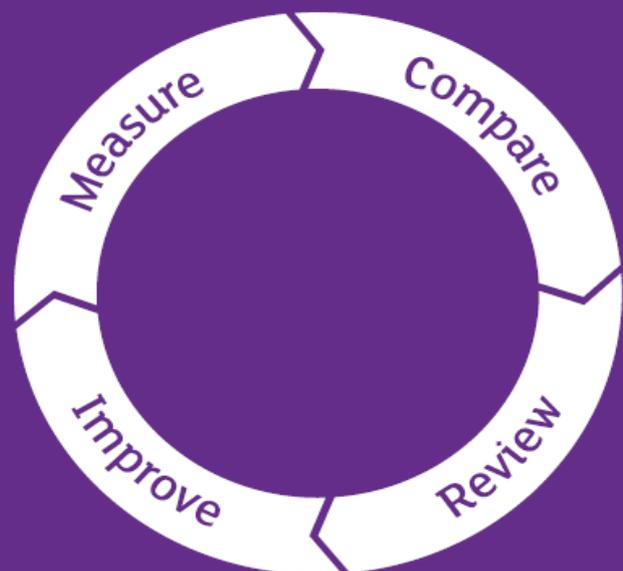
### Contact us

To find out more about our other Corporate Services Benchmarking Clubs please visit our website:

[www.cipfa.org/corporateservices](http://www.cipfa.org/corporateservices)

For more information about how CIPFA Benchmarking can help your organisation or to sign up today contact:

E: [customerliaison@cipfa.org](mailto:customerliaison@cipfa.org) T: 020 7543 5600



**CIPFA** | The Chartered Institute of  
Public Finance & Accountancy

Registered office:

CIPFA Business Limited, 77 Mansell Street, London E1 8AN

T: 020 7543 5600 F: 020 7543 5700

[www.cipfa.org](http://www.cipfa.org)

CIPFA Business Limited, the trading arm of CIPFA that provides a range of services to public sector clients. Registered in England and Wales no. 2376684



**Open Report on behalf of Pete Moore - Executive Director of Finance and Public Protection**

Report to:	<b>Lincolnshire Pension Board</b>
Date:	<b>10 January 2019</b>
Subject:	<b>The Pensions Regulator Data Scores</b>

**Summary:**

This report updates the Board on the Data Scores for Lincolnshire Pension Fund reported to The Pensions Regulator (TPR) as required under this year's TPR returns.

Yunus Gajra, the Business Development Manager from WYPF, will update the Board.

**Recommendation(s):**

That the Board note the report.

**Background**

**1.0 TPR Requirements**

- 1.1 For the first time TPR have asked pension schemes to report their common and scheme specific data scores in the annual scheme returns.
- 1.2 In the scheme return they have asked two additional questions around each area of data: when was the last data review and what a scheme's data score is. The data score is the percentage of members for which the scheme has full and accurate common or scheme-specific data.
- 1.3 Good administration links to better outcomes for members. It makes sure they receive the right benefits at the right time.
- 1.4 Poor data can also be costly for schemes, both in terms of extra administration costs and putting things right.

## 2.0 Common Data

2.1 Common data are basic data items which are used to identify scheme members. All schemes should hold these for all members:

- National insurance number
- Surname
- Sex
- Expected retirement/maturity date (target retirement age)
- Last status event – the date at which the membership status last changed eg from active to deferred. Where appropriate, you should also capture the reason for the change in status (eg retired or opted out)
- Postcode
- Date of birth
- First name or initials
- Date pensionable service started, membership/policy start date or first contribution date
- Membership status eg active, deferred, pensioner. This can be mixed where part (but not all) of the benefits are being taken.
- Address

## 3.0 Scheme Specific (Conditional) Data

3.1 We hold other data in respect of members and their participation in the scheme. Rather than measuring all this data, TPR guidance is that we should focus on data which is key to running our scheme and meeting our legal obligations. This varies from scheme to scheme and depends on many factors including scheme type, structure and the administration system used but may include:

- employment records such as employer name, salary records, service history
- employee and employer contribution history
- information on the value of the member's pension, such as the last estimated value, the date of the estimate and how the pension benefit was calculated
- any benefit specifics like GMP entitlement, HMRC protections

3.2 No agreed tests for scheme specific data were made available for the Local Government Pension Scheme (LGPS) this year, and it was left to administrators to

determine what data to test. However the fire pensions board did determine a range of detailed tests covering both the final salary and career average revalued earnings (CARE) schemes, which are also relevant to the LGPS, and so these were adopted for use in 2018. Once a standard list of tests for LGPS data is published the scores may change.

#### **4.0 How do we measure data?**

4.1 When measuring data, we have looked at whether data is present, and whether it is accurate. Our checks include:

- Checking we have data in all the fields we expect.
- Consistency checks – data items are consistent with each other, for example the date a member joined the scheme must be later than their date of birth, and prior to their expected retirement date.
- Validation checks – data items should be in a valid format, for example the two letter prefix of the national insurance number needs to match the two letter prefixes used by HMRC
- Specific processes, for example regular existence checks, or checking members' dates of birth, eg against birth certificates, at the point benefits are taken.

4.2 WYPF also splits memberships into legacy and current groups. Legacy members are those who joined before WYPF took over pensions administration.

#### **5.0 Data Scores**

5.1 Data Scores for LPF are:

TPR Score - Common	95.71%
TPR Score - Conditional	94.81%

#### **6.0 How have we calculated data score?**

6.1 Your data score is the percentage of members in the scheme that we assess to have fully present and accurate common or scheme-specific data.

6.2 Case example: How to calculate a data score:

A scheme has 100 members. It has 11 common data items per member, so a total of 1,100 common data items held. A data review shows 40 addresses as missing, but the rest of the data is assessed as present and accurate.

The common data score for this scheme is therefore 60%, as we have assessed

that 60% of members have fully present and accurate common data.

### 6.3 Large Scale Fails

There are three root causes of failures which affect over one per cent of members:

- **Missing addresses:** this is a perennial problem. The root cause is members moving house and not informing their pensions administrator. Whilst this could be viewed as the member's responsibility, TPR classes missing addresses as a data quality failure. 1957 out of 2995 fails are deferred members. WYPF attempts to trace lost contact members using a tracing bureau. Unfortunately as we trace members, others are identified as lost contact through returned mail. WYPF also takes every opportunity to remind members to tell us when they move house.
- **Missing earnings:** WYPF is aware of a backlog of leaver notifications. As members are still classed as active until we receive notification, we expect earnings data which is of course not supplied because members are no longer earning. A campaign to collect leaver notifications is underway which will clear these errors. Missing earnings data also means WYPF cannot calculate CARE benefits, causing the two failures related to CARE details missing.
- **Beneficiary link to pensioner missing:** applies mostly to legacy beneficiary records which are not linked to the corresponding pensioner record.

**Appendix 1** shows the full breakdown of data checks and failures.

## 7.0 What next?

7.1 WYPF will be devising an improvement plan to rectify some of the issues and improve the data scores.

### Appendices

These are listed below and attached at the back of the report	
Appendix 1	Statistics and scores

### Consultation

#### a) Have Risks and Impact Analysis been carried out??

Yes

#### b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

## **Background Papers**

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Yunus Gajra, who can be contacted on 01274 432343 or [Yunus.gajra@wypf.org.uk](mailto:Yunus.gajra@wypf.org.uk).

## Appendix 1 – Statistics and Scores

<b>Membership Numbers</b>		
Folder Records Checked - Legacy	62,175	
Folder Records Checked - Current	15,203	
Folder Records Checked - Total	77,378	
<b>Scores</b>		
TPR Score - Common	95.71	
TPR Score - Conditional	94.81	
<b>Failure Counts</b>		
Count of Missing, Bad or Temp NI Number	78	Usually a temporary National Insurance Number. Failure is mainly confined to old “preserved refund” members.
Count of Bad Date of Birth	2	Date of birth does not correspond to other data on the record.
Count of Address Missing	2,995	See narrative above.
Count of Postcode Missing	27	These are all legacy data preserved refund members. Postcodes will be added manually.
Count of No Date Joined Scheme	62	Caused by various reasons. To address manually
Count of No Folder Status History	9	Caused by various reasons. To address manually.
Count of Folder Status/ Status History Mismatch	74	Mainly leavers with options pending. Caused by various reasons. To address manually.
Count of Multi FolderStatHist Entries on Same Day	54	Caused by various reasons. To address manually.
Count of Missing or Bad Expected Retirement Date	3	Caused by various reasons. To address manually.
Count of No Folder Scheme History	55	Caused by various reasons. To address manually.
Count of Missing Date Joined Employer	3	Caused by various reasons. To address manually.
Count of Missing Earnings	3216	2,537 relate to legacy data. 1,943 relate to Lincolnshire County Council. There has been a delay in notifying WYPF of leavers from the pension scheme, so these members remain at active status.
Count of Invalid Part Time Service Present	66	Caused by various reasons. To address manually.
Count of Missing CARE Benefit	4261	Can be triggered by missing earnings – see above.
Count of Missing CARE Revaluation Rate	3206	Can be triggered by missing earnings – see above.
Count of Invalid PSO or Sharing Order	48	All in legacy data. To correct manually.
Count of Invalid Contracted Out Date	19	All in legacy data. To correct manually.

Count of Missing Initial Pension (Def)	33	All in legacy data. To correct manually.
Count of Missing Initial Care Pension (Def)	103	To be investigated and corrected manually.
Count of Missing CARE Initial Pension	17	To be investigated and corrected manually.
Count of Beneficiary Link to Pensioner Missing	1266	Mainly unlinked legacy data.
Count of Beneficiary Type Missing	1266	There will not be a beneficiary type if the link is missing – see above.



**Open Report on behalf of Pete Moore - Executive Director of Finance and Public Protection**

Report to:	<b>Lincolnshire Pension Board</b>
Date:	<b>10 January 2019</b>
Subject:	<b>Pension Fund Update Report</b>

**Summary:**

This report updates the Board on Fund matters and any current issues.

**Recommendation(s):**

That the Board:

- 1) considers whether it is now appropriate to mark the LCC Employer improvement plan as complete and cease the requirement for regular reporting back to them from LCC;
- 2) considers whether they would like to visit the offices of Border to Coast; and
- 3) note the report.

**Background**

**1 Local Authority Pension Fund Forum**

1.1 The Fund participates in the Local Authority Pension Fund Forum that has a work plan addressing the following matters:

- **Corporate Governance** – to develop and monitor, in consultation with Fund Managers, effective company reporting and engagement on governance issues.
- **Overseas employment standards and workforce management** - to develop an engagement programme in respect of large companies with operations and supply chains in China.
- **Climate Change** - to review the latest developments in Climate Change policy and engage with companies concerning the likely impacts of climate change.

- **Mergers and Acquisitions** - develop guidance on strategic and other issues to be considered by pension fund trustees when assessing M&A situations.
- **Consultations** – to respond to any relevant consultations.

1.2 The latest LAPFF engagement report can be found on their website at [www.lapfforum.org](http://www.lapfforum.org). Some of the highlights during the quarter included:

- During the last quarter, LAPFF engaged with 63 companies on issues ranging from employment standards to Sustainable Development Goals and shareholder rights.
- The Forum issued two voting alerts ahead of the Ryanair and Sports Direct AGMs in September. Poor human capital management, along with continued concerns related to poor board oversight over governance issues led to recommendations to oppose annual reports and the Chair at both companies. The Forum also attended both companies' AGMs.
- With an aim to better understand how companies approach the UN Sustainable Development Agenda, LAPFF liaised with 14 companies to discuss the topic of sustainable cities and climate risk management, as well as water stewardship and access to water and sanitation.
- The Forum has submitted its response to the Kingman Review that aims to review the role and power of the Financial Reporting Council (FRC). Despite the responses not being public, the Forum considers that its position on disbanding the current FRC is widely shared.

1.3 Members of the Committee should contact the author of this report if they would like further information on the Forum's activities.

## 2 TPR Checklist Dashboard

2.1 To assist in the governance of the Lincolnshire Fund, it assesses itself against the requirements of the Pension Regulator's (TPR's) code of practice 14 for public service pension schemes, as set out in a check list attached at Appendix A. This is presented to the Committee and Board at each quarterly meeting, and any non-compliant or incomplete areas are addressed. This is seen as best practice in open and transparent governance.

2.2 No areas have changed since the last quarter's report.

2.3 The Areas that are not fully completed and/or compliant are listed below.

B12 – Knowledge and Understanding - Have the pension board members completed the Pension Regulator's toolkit for training on the Code of Practice number 14?

*Amber – It is the intention that all PB and PC members carry this out, and provide copies of the completion certificate to the Pension Fund Manager however, whilst all Board members have completed this training, certificates have not been received for all Committee members.*

F1 – Maintaining Accurate Member Data - Do member records record the information required as defined in the Record Keeping Regulations and is it accurate?

*Amber - Scheme member records are maintained by WYPF. Therefore much of the information here and in later questions relates to the records they hold on LCC's behalf. However, as the scheme manager, LCC is required to be satisfied the regulations are being adhered to. Data accuracy is checked as part of the valuation process and the annual benefits statement process. Monthly data submissions and employer training are improving data accuracy, however there are a number of historical data issues that are in the process of being identified and rectified.*

F5 - Maintaining Accurate Member Data - Are records kept of decisions made by the Pension Board, outside of meetings as required by the Record Keeping Regulations?

*Grey – not relevant as we do not expect there to be decisions outside of the PB. This will be monitored.*

H7 - Maintaining Contributions - Is basic scheme information provided to all new and prospective members within the required timescales?

*Amber - New starter information is issued by WYPF, **when they have been notified by employers**. This is done by issuing a notification of joining with a nomination form, transfer form and a link to the website. However, because the SLA relates to when notified, it does not necessarily mean the legal timescale has been met which is within 2 months of joining the scheme. The monthly data returns and employer training are improving this process.*

K7 – Scheme Advisory Board Guidance - Members of a Local Pension Board should undertake a personal training needs analysis and put in place a personalised training plan.

*Remaining Amber - Annual Training Plan of Committee shared with PB and all PB members invited to attend. Self-assessments were carried out in March, however no personal training plans have been put in place, as the assessments have been used to identify training areas required across the Board.*

### **3 Breaches Reporting - update**

- 3.1 The Fund, and those charged with its governance, has a requirement to log and, where necessary, report breaches to the Pensions Regular. The

Breaches Register attached at appendix B shows those breaches logged since recording began. Since the last Pension Board quarterly meeting, one breach has been added, detailed below:

- **Late payment of contributions** – a separate paper is presented to the Board at paper 9, updating the Board on all monthly employer contribution breaches over quarter " (July to September).

**4 LCC Employer Issue Update**

- 4.1 LCC has been holding regular monthly meetings with Serco, as part of the improvement plan agreed with the Board earlier this year. These meetings are now part of the on-going contract management of Serco. Updates from these meetings have been communicated to the Fund and the Board.
- 4.2 The latest update follows their meeting dated 6<sup>th</sup> December. LCC can confirm that in addition to clearing the historic backlog, the in-year leavers has reduced to normal levels now and is around the 200 mark which is a normal number of in-month leavers. There has also been a lot of work done to clear out relief workers that have not worked for over a year. There is now a monthly report on reliefs, therefore part of the monthly routine includes making them leavers if they have not worked.
- 4.3 In light of the improvements mentioned above, this has no longer been logged as an on-going breach on the register. Officers now believe that the focus on LCC can be reduced, and they will fall into the normal monthly monitoring of all employers. The Board is asked to consider whether it is now appropriate to mark the improvement plan as complete and cease the requirement for regular reporting back to them from LCC.

**5 Risk Register Update**

- 5.1 The risk register is a live document and updated as required. Any changes are reported quarterly, and the register is taken annually to the Pensions Committee to be approved. The paragraphs below highlight the three changes that were taken to the January meeting of the Committee for approval.
- 5.2 The October meeting of the Pensions Committee compared the Lincolnshire Pension Fund risk register with those of the partner funds of Border to Coast. Whilst no material differences were found, it was agreed that one risk should be amended. This is detailed below, with the proposed additional wording highlighted in italics:

Risk 25	Consequences	Controls	Risk Score	
			L	I
Failure to meet requirements	Reputational risk, loss of Fund value	Stewardship code compliance	1	2

as a responsible investor - across all ESG risks ( <i>including climate change and a move to a low carbon economy</i> )		Managers reporting requirements LAPFF membership Voting RI Policy and Voting Guidelines		
---	--	--	--	--

5.3 The Pension Board review the risk register regularly, and at their October meeting requested that two recommendations were taken to this Pensions Committee:

- 1) to consider whether the current risk score for Risk 3 – detailed below – was still appropriate given the imminent retirement of the Executive Director of Finance and Public Protection and the County Finance Officer, both of whom have extensive and historical knowledge of the Lincolnshire Pension Fund.

Risk 24	Consequences	Controls	Risk Score	
			L	I
Loss of key staff and loss of knowledge & skills	Inability to deliver service Statutory requirements not met Damaged reputation Pensioners not paid Inability to make investment/administration decisions Loss of professional investor status under MIFIDII	Diversified staff / team Look at other authorities with best practices to ensure LCC positions still desirable Attendance at pensions user groups, both WYPF and LCC Procedural notes which includes new systems as and when (LCC & WYPF) Section meetings / appraisals (LCC & WYPF) Regular team building (LCC & WYPF)	2	2

- 2) to consider the inclusion of additional words to risk 4 – detailed below – to add the Guaranteed Minimum Pension reconciliation and how the output of that will be communicated to pensioners in the event their pension is amended.

Risk 4	Consequences	Controls	Risk Score	
			L	I
Calculating and paying pensions correctly ( <i>inc. completion of the Guaranteed Minimum Pension Reconciliation and communication with Pensioners</i> )	Damaged reputation Financial loss	Internal control through audit process Constant monitoring / checking Quality standard at WYPF Process management NFI and Tracing services Data Cleansing	2	2

- 5.3 There is still one red risk, risk 24, which was added in June '16 as a result of the Brexit vote, and given the continuing uncertainty as to how this will play out, it is felt that the red status is still appropriate.

Risk 24	Consequences	Controls	Risk Score	
			L	I
UK leaving the EU	Volatility of market Lower gilt yields leading to higher liabilities Inflation increasing liabilities Uncertainty of political direction re pooling	Increased monitoring of managers Review investment strategy Regular communications with Committee and Board	4	3

- 5.4 Officers will verbally update the Board on the outcome of the recommendations taken to the Committee.
- 5.5 The full risk register is available from officers should any member of the Board wish to see it.

## 6 Asset Pooling Update

- 6.1 Representatives of Border to Coast presented to the December Pensions Committee meeting, providing an update on the governance arrangements for Border to Coast, the Global Equity Alpha Fund and the alternative investment proposal. The slides from this presentation have been shared with the Board.

## **Sub Funds**

- 6.2 Work on the first externally managed sub-fund for Border to Coast has progressed well, with three managers being appointed to the UK Equity Alpha Fund: UBS, Janus Henderson and Baillie Gifford. Transition of assets from the partner funds are expected to have completed by the time of this Committee.
- 6.3 Much work has also been done on the Global Equity Alpha Fund, as detailed in the December presentation, and the expectation is for assets to transition in Q2/3 2019.

## **Potential Savings**

- 6.4 The Board will be aware of the potential savings that asset pooling could bring to the Fund, as detailed in the formal submissions to MHCLG, ahead of the final approval for the creation of the Border to Coast pool, and detailed in a number of papers and training sessions.
- 6.5 The range of net savings for Lincolnshire at that time was: best case £3.7m p.a. and worst case £1.7m p.a. Since that time (March 2016), assets have grown from £1.76bn to the current value of £2.3bn, therefore the expected savings should be greater, as most savings are from manager fee reductions that are based on assets under management.
- 6.6 As no assets have transitioned across to Border to Coast, no direct savings as a result of investing in Border to Coast have been realised. However the change from the internal management of the passive UK equities to the external manager LGIM produced approximately 0.005% of a saving on the fee scale – this was directly as a result of the pooling agenda and fees were negotiated for all partner funds in Border to Coast. The scale of the saving was low as a result of the already very low cost internal management – other partner Funds where this was already externally managed achieved far greater savings.
- 6.7 Once assets transition from current managers into Border to Coast, actual fee savings will be shared with the Committee and Board.
- 6.8 In addition, further work will be done as part of the year end process to identify savings that can be attributed to pooling, and this will be shown in the Fund's Annual Report.

## **Joint Committee Meetings**

- 6.9 The Joint Committee (JC) last met on 21<sup>st</sup> November 2018, and the papers were circulated to all Pensions Committee members. The minutes will be circulated once approved, and below are the highlights:

- Scheme member representation – the appropriate number of scheme member representatives to sit as non-voting members on the JC and the process for appointing these members was agreed.
- Scheme employer representation – the SAB guidance is that Funds should consider this in addition to scheme member representation, and should explain the reasons if they decide against it. It was resolved at the previous JC meeting that employer representatives were not required, and the statement below approved at this meeting to explain the reasoning:

*The Border to Coast Pensions Partnership Joint Committee has decided not to include a non-voting observer representing scheme employers who are not administering authorities within its membership. There are two reasons for this. Firstly, these employers are represented in the governance structures of the 12 Administering Authorities and there have, in contrast to scheme members, been no demands for such representation through this route. Secondly this is an incredibly diverse range of employers ranging from large unitary councils to small charities with one or two members and it is therefore considered that to provide effective representation of such a wide spectrum of organisations which participate in the Local Government Pension Scheme on different bases would be impractical. On balance it is considered that the common interest of this group of employers is in the achievement through an effectively implemented investment strategy of stable and affordable contribution rates, and that that interest coincides with a major part of the interest of administering authorities as employers who are represented on the Joint Committee.*

- JC Budget - The JC noted that at the current time the forecast expenditure was broadly in line with the budget set in January 2018.
- JC Terms of Reference – as Border to Coast was now in a "business as usual" state, discussion was had about reviewing the initial terms of reference for the JC.
- Responsible Investment Policies Review – the draft RI Policy and Corporate Governance and Voting Guidelines were discussed.
- Chief Executive Officer (CEO) Report – Rachel Elwell updated the JC on the various interaction with Partner Funds.
- Border to Coast ACS Global Equity Alpha Fund – Chief Investment Officer (CIO) Daniel Booth updated the JC on the progress with the creation of the Global Equity Alpha Fund.
- Border to Coast Alternative capability and target operating model – CIO Daniel Booth updated the JC on the current proposition and process for building the alternatives capability within Border to Coast.

- Chief Operating Officer (COO) Report – COO Fiona Miller updated the JC on the core operational activities progressed since the last JC meeting, presented the out-turn for the Implementation Budget, explained the 2018-19 Operational Budget and the initial work undertaken on the 2019-20 Budget and the future governance process for approval by shareholders.

6.10 The next JC meeting is being held on 11<sup>th</sup> March 2019 and papers will be circulated to Board members. Any questions or comments on the papers should be directed to Cllr Strenziel, who can raise them at the meeting.

### **Workshops**

6.11 Officers continue to meet regularly with Border to Coast to ensure that the sub-fund offerings and the strategic asset allocations of the Partner Funds are aligned.

### **Shareholder Approvals**

6.12 As the Board are aware, there are two distinct roles that Lincolnshire County Council has with Border to Coast: the shareholder and the investor (or client). The Pensions Committee's role is that of investor, and is represented at the Joint Committee by the Chairman of the Pensions Committee. The shareholder role is undertaken by the Executive Director of Finance and Public Protection, and fulfils the role as set out in the Shareholder Agreement, which was approved by Full Council in February 2017.

7.13 Ahead of any shareholder approvals, officers, including S151 officers, work closely with Border to Coast to ensure full understanding of the resolution, the impact of it not being approved and discuss this with the JC ahead of any resolution being sent for approval. There are two important shareholder approvals due in the next few months:

- Alternatives Structure – the Committee had the structure for the alternatives vehicle explained to them at the December Committee meeting. As this is creating new subsidiaries of Border to Coast, it requires approval from all shareholders. This is required for mid-January to meet the timetable for delivering the alternatives offering. To ensure that the proposed structure is suitable, additional legal advice has been commissioned by the Partner Funds.
- Strategic Plan (including budget and capital adequacy) – this sets the budget for 2019/20 and has been approved by the Border to Coast Board. It requires approval from 75% of shareholders (9 Partner Funds) and this approval is required to be in place for the end of February 2019.

## **Visit to Border to Coast Offices**

- 7.14 To assist with building the relationship and understanding between the Fund and Border to Coast, there is an open invitation for the Committee and Board to visit their offices in Leeds, where there will be the opportunity to meet more of the team. The Board is asked to consider whether they would like to hold a future meeting at the offices of Border to Coast.

## **8 Conference and Training Attendance**

- 8.1 It is stated in the Fund's Training Policy, approved each July by the Pensions Committee, that following attendance at any conferences, seminars or external training events, members of the Committee will share their thoughts on the event, including whether they recommended it for others to attend. This has now been added as a standing item within the Committee's Fund Update paper, and it is suggested that this would also be useful to include in the Board's Fund Update Report, to enable Board members to provide this feedback.
- 8.3 The Pension Board members are therefore requested to share information on relevant events attended since the last Board meeting.

## **Conclusion**

- 9 The Fund Update report is a quarterly report to the Pension Board, to update the Board on Pension Fund matters and any current issues.
- 10 The Board is asked to Committee is asked to consider whether it is now appropriate to mark the LCC improvement plan as complete and cease the requirement for regular reporting back to them from LCC and to consider whether they would like to visit the offices of Border to Coast.

## **Consultation**

### **a) Have Risks and Impact Analysis been carried out?**

Yes

### **b) Risks and Impact Analysis**

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

## Appendices

These are listed below and attached at the back of the report	
Appendix A	TPR Checklist Dashboard
Appendix B	Breaches Register

## Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Jo Ray, who can be contacted on 01522 553656 or [jo.ray@lincolnshire.gov.uk](mailto:jo.ray@lincolnshire.gov.uk).

This page is intentionally left blank

## The Pension Regulator's and Scheme Advisory Board Compliance Checklist

### Summary Results Dashboard

No	Completed	Compliant
<b>Reporting Duties</b>		
A1	G	G
A2	G	G
A3	G	G
A4	G	G
<b>Knowledge &amp; Understanding</b>		
B1	G	G
B2	G	G
B3	G	G
B4	G	G
B5	G	G
B6	G	G
B7	G	G
B8	G	G
B9	G	G
B10	G	G
B11	G	G
B12	A	A
<b>Conflicts of Interest</b>		
C1	G	G
C2	G	G
C3	G	G

No	Completed	Compliant
C4	G	G
C5	G	G
C6	G	G
C7	G	G
C8	G	G
C9	G	G
C10	G	G
C11	G	G
<b>Publishing Scheme Information</b>		
D1	G	G
D2	G	G
D3	G	G
D4	G	G
<b>Risk and Internal Controls</b>		
E1	G	G
E2	G	G
E3	G	G
E4	G	G
E5	G	G
E6	G	G
E7	G	G
E8	G	G

No	Completed	Compliant
<b>Maintaining Accurate Member Data</b>		
F1	A	A
F2	G	G
F3	G	G
F4	G	G
F5		
F6	G	G
F7	G	G
F8	G	G
F9	G	G
F10	G	G
F11	G	G
<b>Maintaining Contributions</b>		
G1	G	G
G2	G	G
G3	G	G
G4	G	G
G5	G	G
G6	G	G
G7	G	G
G8	G	G
G9	G	G

No	Completed	Compliant
<b>Providing Information to Members and Others</b>		
H1	G	G
H2	G	G
H3	G	G
H4	G	G
H5	G	G
H6	G	G
H7	G	A
H8	G	G
H9	G	G
H10	G	G
H11	G	G
H12	G	G
H13	G	G
<b>Internal Dispute Resolution</b>		
I1	G	G
I2	G	G
I3	G	G
I4	G	G
I5	G	G
I6	G	G
I7	G	G

No	Completed	Compliant
I8	G	G
I9	G	G
<b>Reporting Breaches</b>		
J1	G	G
J2	G	G
J3	G	G
<b>Scheme Advisory Board Requirements</b>		
K1	G	G
K2	G	G
K3	G	G
K4	G	G
K5	G	G
K6	G	G
K7	A	A
K8	G	G
K9	G	G
K10	G	G
K11	G	G
K12	G	G
K13	G	G
K14	G	G
K15	G	G

This page is intentionally left blank

## Lincolnshire Pension Board Record of Breaches

Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions
31/7/15	Contributions	Late payment by LCC for June contributions, following late payment for April and May.	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Aware of breach, extenuating circumstances, trying to fix issues.	Reported through portal 31/7/15		
31/8/16	ABS's	100% required output of ABS's not met	Late receipt of ABS info to members	Not material and improvement on previous year – first full year of monthly returns	Not reported – total 92.6% of active and deferred produced overall – not material to report		
31/3/17	Contributions (see report)	Late payments over the year	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		
May 2017	Administration	Data security breach – a small number	Potential for individuals data to be seen by	WYPF contacted printing	Not reported to tPR. Small number		

Appendix B

		of ABS's went out unsealed	unauthorised individuals	company for explanation. Breach reported to information security officers at both WYPF and LPF	impacted, human error the cause.		
Sept 17	Contributions	Late payments May to August	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Issue raised at LEAF meeting
Sept 17	LCC - Leavers information	Outstanding leavers information not sent to WYPF by LCC	Incorrect ABS's, over statement of liabilities	LCC given opportunity to provide improvement plan and timescales	Not reported, but under review.		
Dec 17	LCC - Leavers information – updated	Outstanding leavers information not sent to WYPF by LCC	Incorrect ABS's, over statement of liabilities	Improvement plan provided, presentation to Board to discuss in January	Not reported, but under review.		
Dec 17	Contributions - updated	Late payments Sept to November	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Issue to be raised at March employers meeting
Mar 18	LCC Leavers information – updated	Outstanding leavers information not	Incorrect ABS's, over statement of	Update on improvement plan presented	Not reported, but under review.		

Appendix B

		sent to WYPF by LCC	liabilities	to Board to discuss in March			
March 18	Contributions - updated	Late payments December to February	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Issue to be raised at March employers meeting
April 18	LCC Leavers information – updated	Outstanding leavers information not sent to WYPF by LCC	Incorrect ABS's, over statement of liabilities	LCC self-reported to TPR	Reported		Regular updates to be provided to TPR and Board
July 18	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers
July 18	LCC Leavers information – updated	Outstanding leavers information not sent to WYPF by LCC	Incorrect ABS's, over statement of liabilities	LCC self-reported to TPR	TPR updated		Regular updates to be provided to TPR and Board
September 18	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers
September 18	LCC Leavers information – updated	Outstanding leavers information not sent to WYPF	Incorrect ABS's, over statement of liabilities	LCC self-reported to TPR	TPR updated		Regular updates to be provided to TPR and Board

Appendix B

		by LCC					
December 18	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers

### Open Report on behalf of Executive Director of Finance and Public Protection

Report to:	<b>Lincolnshire Pensions Board</b>
Date:	<b>10 January 2019</b>
Subject:	<b>Pension Fund External Audit Report</b>

#### Summary:

This report summarises the findings from the work undertaken by the Council's External Auditors, KPMG, in giving their opinion on the Pension Fund Accounts and Annual Report. Their findings were initially reported to the Council's Audit Committee in the ISA 260 – Report to Those Charged with Governance in July 2018 and is summarised here for the Pensions Board.

#### Recommendation(s):

That the Board note this covering report and the ISA 260 report prepared by the Council's External Auditors, KPMG.

#### Background

1. The Pension Fund Annual Report and Accounts for the year ended 31<sup>st</sup> March 2018 have been completed and were presented to the Board at your meeting on 25<sup>th</sup> July. These have now been independently audited by the Council's external auditors, KPMG. A copy of the ISA 260 Report to Those Charged with Governance is attached to this report at **Appendix A** (note this report covers both the Pension Fund and County Council's audits). This details the findings from their work on the Pension Fund Annual Report and Accounts.
2. In previous years, KPMG have produced a Completion Report for the Pension Fund Audit to give reassurance to the Board about the quality and accuracy of the Pension Fund accounts. Due to the change in auditors from KPMG to Mazars this report is not available for the 2017/18 audit, however, the information previously contained in this Completion Report can be gleaned from the ISA260 report, and is summarised in the paragraphs below.
3. The key points to note from the external auditors work on the Pension Fund Accounts are:

## **Planning:**

4. Three specific risks were identified from KPMG's initial risk assessment for the 2017/18 Pension Fund Accounts:
  - Faster accounts close. The statutory deadline for preparing accounts moved forward to the end of May from the end of July in previous periods;
  - Agresso upgrade. A significant update was required to the Agresso system during 2017/18; and
  - Valuation of hard to price investments. These assets are inherently harder to value as they do not have publicly available quoted prices and require professional judgement or assumptions to be made at year end.
5. No audit adjustments or differences were identified in relation to the planning risks identified by KPMG.

## **Financial Statements Audit:**

6. In addition to the specific planning risks identified for the pension fund audit there are a number of risks which KPMG must address in their audit work from the International Standards on Auditing. Details of these risks and the outcome from their work is set out below:
  - Pension fund investments fair value disclosures. Detailed disclosures are required which can involve difficult judgements in categorising the investments held correctly;
  - Other matters – pension fund. The pension fund auditor is required, if requested, by other auditors of admitted bodies, to support their audit under the protocol put in place by the Public Sector Appointments Limited (PSAA) for this purpose; and
  - Judgements – valuation of pension assets and liabilities. The pension fund auditor assesses if the valuation judgement appears balanced. There have been no significant changes in approach from previous years and the pension fund relies on the independent expert actuarial valuation for these estimates.
7. There were no matters directly arising from their audit work on the significant risks that apply to the Pension Fund that they needed to report.
8. Overall, the audit of the Pension Fund accounts did not identify any material misstatements and there are no adjusted or unadjusted audit differences that they need to be reported.

## **Audit Completion:**

9. An unqualified audit opinion was issued on the Pension Fund accounts as part of the Lincolnshire County Council Statement of Accounts by the end of July 2018. A copy of the annual report has been published on the Pension Fund website and all Fund employers have been notified. In addition, the link has been emailed to all County Councillors, trade unions who represent contributing members of the Fund and on request to any other individuals or organisations. A summary of the annual report will be sent to all scheme members in the Autumn newsletters sent by WYPF, as the Fund's scheme administrator.

## **Conclusion**

10. The audit of the Pension Fund Accounts for the year ended 31<sup>st</sup> March 2018 has been completed. The external auditor, KPMG, issues an unqualified audit opinion and a copy of the Pension Fund Annual Report and Accounts have been distributed to interested parties.

## **Consultation**

### **a) Policy Proofing Actions Required**

N/A

## **Appendices**

These are listed below and attached at the back of the report	
Appendix A	External Audit ISA 260 Report 2017/18, covering Lincolnshire County Council and Lincolnshire Pension Fund

## **Background Papers**

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Claire Machej, who can be contacted on 01522 553641 or [claire.machej@lincolnshire.gov.uk](mailto:claire.machej@lincolnshire.gov.uk).

This page is intentionally left blank



# External Audit ISA260 Report 2017/18

**Lincolnshire County  
Council and  
Lincolnshire Pension  
Fund**

—

July 2018

# Summary for Audit Committee

**This document summarises the key findings in relation to our 2017-18 external audit at Lincolnshire County Council ('the Authority') and Lincolnshire Pension Fund.**

**This report covers our on-site work which was completed in June and July 2018 on the Authority's significant risk areas, as well as other areas of your financial statements, and the control environment in place to support the production of timely and accurate financial statements.**

## Financial statements

**Subject to completion of the remaining work and all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements before the deadline of 31 July 2018.**

The remaining audit work includes the following matters:

- Final audit Director review;
- Addressing any remaining audit queries and any further matters arising from our completion procedures;
- General audit file completion and review procedures;
- Post balance sheet events review up to the date of signing the audit opinion; and
- Final review of the working papers and amended accounts.

Based upon our initial assessment of risks to the financial statements (as reported to you in our *External Audit Plan 2017/18* and updated during our audit) we identified the following significant risks (excluding those mandated by International Standards on Auditing) relating to the Authority:

- **Valuation of PPE** – the Authority operates a cyclical revaluation approach and we considered the way in which the Authority ensures that assets not subject to in-year revaluation are not materially misstated;
- **Pensions Liabilities** – we reviewed the processes in place to ensure accuracy of data provided to the Actuary and considered the assumptions used by the Actuary in determining the valuation.;
- **Faster Close** - the timetable for the production of the financial statements has been significantly advanced and we worked with the Authority in advance of our audit to understand the steps being taken to meet these deadlines and the impact on our work.
- **Agresso Upgrade** – the Authority has carried out a significant upgrade to Agresso during 2017/18 and we considered the Authority's arrangements for ensuring this upgrade process was managed effectively

There are two non material unadjusted audit differences arising from our work that we need to report to you (Appendix 3).

Based on our work, we have raised 1 recommendation. Details of our recommendation can be found in Appendix 1.

## Control Environment

We have determined the overall control environment is adequate. We have included our findings at Section 1 of this report.

# Summary for Audit Committee (cont.)

## Accounts Production

The Authority's overall process for the preparation of the financial statements is effective. We have though identified continuing areas for improvement in the quality of the Authority's working papers for specific areas of the accounts, We have included our findings at Section 1 of this report.

## Pension Fund financial statements

**We also anticipate issuing an unqualified audit opinion in relation to the Pension Fund's financial statements by 31 July 2018.**

Based upon our initial assessment of risks to the Pension Fund financial statements (as reporting to you in our *External Audit Plan 2017/18* and updated during our interim visit) we have identified the following significant risks (excluding those mandated by International Standards on Auditing – see Page 9):

- **Faster close** – although the draft Pension Fund accounts have normally been available earlier than the Authority's statements the 31 May deadline was still expected to be challenging. As with the Authority's statements we worked with managers in advance of our audit to understand the steps being taken to meet these deadlines and the impact on our work Pension Fund audit work.
- **Agresso Upgrade** – The risk identified for the Authority and our response also applied to the Pension Fund audit.
- **Valuation of hard to price investments** – The Pension Fund invests in a wide range of assets and investment funds, some of which are inherently harder to value or do not have publicly available quoted prices, requiring professional judgement or assumptions to be made at year end. We verified the existence of a selection of investments and considered the reliability of valuations reported by investment managers for harder to price investments.

There are no audit adjustments or audit differences arising from our work on the Pension Fund financial statements that we need to report to you.

## Value for money arrangements

We have completed our risk-based work to consider whether in all significant respects the Authority has proper arrangements to ensure has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**We therefore anticipate issuing an unqualified value for money opinion**

We set out our assessment of those areas requiring additional risk based work in our *External Audit Plan 2017/18* and have updated this assessment during our interim visit. As a result of this we have identified the following significant VFM audit risks:

- **Financial standing and medium term financial planning** – The Authority continues to face similar financial pressures and uncertainties to those experienced by others in the local government sector. The Authority needs to have effective arrangements in place for managing its annual budget, generating income and identifying and implementing any savings required to balance its medium term financial plan.
- **Corporate Support Services Provider's performance** – the Authority's management continues to work with the Corporate Support Services provider to strengthen the arrangements for managing the contract and ensure consistent performance to the expected standards across the full range of services provided.

See further details on page 22.

# Summary for Audit Committee (cont.)

## Whole of Government Accounts

The national audit deadline for reporting on authorities' 2017/18 Whole of Government Accounts (WGA) return is 31 August 2018. We have started the work required but it is unlikely that the information needed to complete the testing (including the 'matches' report from the Ministry of Housing Communities and Local Government) will be available in time to allow us to issue our report before 31 July 2018. We expect to complete the required audit work on the return in August 2018. We will update the Audit Committee if there are any significant audit matters arising from this work.

## Exercising of audit powers

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.

We have not identified any matters that would require us to issue a public interest report.

In addition, we have not had to exercise any other audit powers under the Local Audit & Accountability Act 2014.

## Audit Certificate

The later deadline for the WGA audit work means that we expect to defer the issue of the Audit Certificate until that work is complete. There are no other audit matters at this stage that impact on the Audit Certificate.

## Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help

**Section one**

# Control Environment



# Organisational and IT control environment

**We have identified no significant issues with the Authority's control environment and consider that the overall arrangements that have been put in place are adequate.**

## Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing of these controls.

## Controls over key financial systems

We have tested controls as part of our focus on significant audit risks and other parts of your key financial systems on which we rely as part of our audit. The strength of the financial system control framework informs the substantive testing we complete during our final accounts visit.

We have assessed the effectiveness of your key financial system controls, on which we rely as part of our audit. We found that the financial controls on which we planned to place reliance are operating effectively.

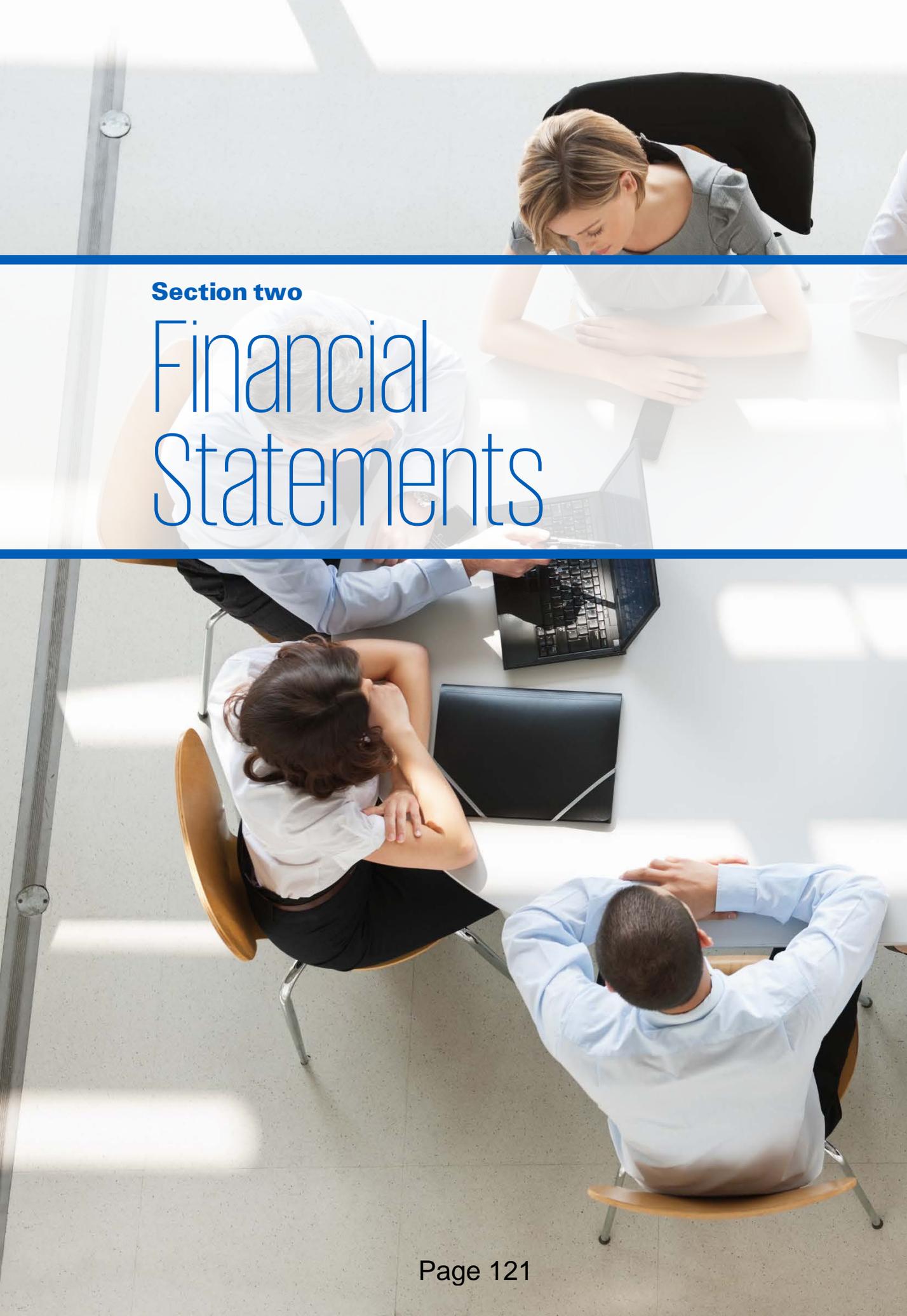
In our ISA 260 Report 2016-17 we identified issues and made recommendations relating to:

- Agresso General IT controls; and
- Payroll controls.

We have considered these areas again this year and provided further comments on the control deficiencies below:

- **Agresso General IT Controls** - in 2016-17 we carried out a range of procedures to assess controls around Agresso in respect of access to programs and data and program change control. The Authority was unable to provide us with sufficient evidence to demonstrate that adequate controls were in place in these areas. In particular, we noted that governance processes and the definition of responsibilities between the Authority and their supplier had yet to fully mature as the operation of the system moved from implementation project to business as usual. We have included at Appendix 2 management's update on the areas we highlighted for improvement. Although progress has been made in some areas we were again not able to rely on these controls for the current year and carried out the planned alternative procedures.
- **Payroll Controls** – in 2016-17 we carried out a range of procedures to assess the controls at the payroll provider and within the finance team surrounding payroll. These controls were not found to be designed or operating effectively which was consistent with the matters reported by Internal Audit during the year. We planned not to test payroll controls for 2017-18 as they had not be designed and operating for the full financial year and again adopted a fully substantive approach to testing. It is understood that finance and payroll have now adopted several controls which are now part of 'normal business' which should make the payroll process more robust going forwards.

Further details on the Authority's progress on these recommendations is included in Appendix 2.

An overhead photograph of four business professionals (three men and one woman) sitting around a white conference table. They are dressed in business attire. Two laptops are open on the table. The scene is brightly lit, with shadows cast across the floor and table. A blue horizontal bar is overlaid across the middle of the image, containing the text.

**Section two**

# Financial Statements

# Accounts production and audit process

**Audit standards (ISA 260) require us to communicate our views on the significant qualitative aspects of the Authority's accounting practices and financial reporting.**

**We also assessed the Authority's process for preparing the accounts and its support for an efficient audit. The efficient production of the financial statements and good-quality working papers are critical to meeting the tighter deadlines.**

**The Authority's overall process for the preparation of the financial statements is effective.**

**The Authority has made progress in implementing the recommendations from our 2016-17 ISA Report but there are still some areas for improvement.**

## Accounts practices and production process

The Authority published a complete set of draft accounts by 31 May 2018. We consider that the overall process for the preparation of your financial statements is effective. We have though identified continuing areas for improvement in the quality of working papers, as set out below.

We also consider the Authority's accounting practices appropriate.

### Going concern

The financial statements of both the Authority and the Pension Fund have been prepared on a going concern basis. We confirm that we have identified no significant matters which would, in our view, affect the ability of the Authority or Pension Fund to continue as a going concern.

### Implementation of recommendations

We raised three recommendations in our ISA 260 Report 2016-17 relating to the Authority's financial statements audit. Further details on the Authority's progress on these recommendations is included in Appendix 2.

### Completeness of draft accounts

The Authority published a complete set of draft accounts on 31 May 2018, which is the statutory deadline.

### Quality of supporting working papers

Our Accounts Audit Protocol sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Authority to provide to support our audit work. This helps the Authority and the Pension Fund to provide audit evidence in line with our expectations. We followed this up with a meeting with Management to discuss specific requirements of the document request list.

We found issues in relation to certain working papers for the Authority's financial statements, with the quality of audit evidence initially provided not meeting the requirements set out in our Accounts Audit Protocol 2017-18. This led to delays in completing our work and placed additional pressures on the audit. The quality of audit papers has been reiterated as a continuing recommendation in Appendix 2.

### Response to audit queries

The weaknesses in working papers and other matters identified during the audit resulted in a relatively high number of queries needing to be raised with officers. We appreciated the hard work carried out by our lead contact in processing this heavy workload, in keeping us informed on progress and trying to keep the delayed responses to a minimum. Inevitably some of our queries took longer to fully resolve than others, particularly when responses or supporting evidence for our sample testing were required from officers outside of the core finance team. This delayed the audit process although we expect to resolve any remaining queries by the date of giving the audit opinion.

### Pension Fund audit

The audit of the Fund was completed alongside the main audit. There are no specific matters regarding the accounts production and audit process to bring to your attention relating to this.

# Specific audit areas

**We anticipate issuing an unqualified audit opinion on the Authority's 2017-18 financial statements and those of the Pension Fund by 31 July 2018.**

Auditing standards require us to consider two standard risks for all organisations. We consider these as a matter of course in our audit and will have set out the findings arising from our work in our ISA 260 Report below.

Over the following pages we have set out our assessment of the specific significant risks and areas of audit focus we identified in relation to the audit of the Authority's financial statements and those of the Pension Fund.

## 01

### Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

There are no matters arising from this work that we need to bring to your attention.

## 02

### Fraudulent revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our *External Audit Plan 2017-18* we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

# Specific audit areas

## Significant Audit Risks – Authority

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

<b>Risk:</b>	<b>Valuation of PPE</b> <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over the required five year cycle. As a result of this, however, individual assets may not be revalued for four years.</p> <p>This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value.</p>
<b>Our assessment and work undertaken:</b>	<p>We reviewed the approach that the Authority has adopted to assess the risk that assets not subject to valuation are materially misstated and considered the robustness of that approach.</p> <p>In relation to those assets which had been revalued during the year we assessed the valuer’s qualifications, objectivity and independence to carry out such valuations and considered the methodology used.</p> <p>Subject to completion of any remaining work and any outstanding queries being resolved to our satisfaction we have determined that the assets which had not been revalued in year were not materially misstated.</p> <p>We have set out our view of the assumptions used in relation to accounting for Property, Plant &amp; Equipment at page 15.</p>

# Specific audit areas (cont.)

## Significant Audit Risks – Authority (cont.)

<b>Risk:</b>	<p><b>Pension Liabilities</b></p> <p>The net pension liability represents a material element of the Authority’s balance sheet. The Authority is an admitted body of Lincolnshire Pension Fund, which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority’s overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Authority’s valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority’s employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in the valuation of the Authority’s pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.</p>
<b>Our assessment and work undertaken:</b>	<p>As part of our work we reviewed the controls that the Authority has in place over the information sent to the Scheme Actuary. As part of this work we assessed the controls with respect to the management review of assumptions used in the valuation report and accounts.. We also evaluated the competency, objectivity and independence of the Fund’s Actuary.</p> <p>We reviewed the appropriateness of the key assumptions included within the valuation and compared them to expected ranges and involved a KPMG Actuary to provide a specialist assessment of those assumptions. We also reviewed the methodology applied in the valuation by the Scheme’s Actuary.</p> <p>In addition, we reviewed the overall Actuarial valuation and considered the disclosure implications in the financial statements.</p> <p>In order to determine whether the net pension liability has been appropriately accounted for we also considered the valuation of pension assets. As part of our audit of the Pension Fund we gained assurance over the overall value of fund assets. We then liaised with the actuary to understand how these assets are allocated across participating bodies.</p> <p>Subject to completion of any remaining work and any outstanding queries being resolved to our satisfaction we have determined that the net pension liability had been properly accounted for and disclosed in the financial statements. We have set out our view of the assumptions used in valuing pension assets and liabilities at page 15.</p>

# Specific audit areas (cont.)

## Significant Audit Risks – Authority (cont.)

<b>Risk:</b>	<p><b>Faster Close</b></p> <p>In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.</p> <p>These changes represent a significant change to the timetable that the Authority has previously been required to work to. The time available to produce draft accounts has been reduced by one month and the overall time available for completion of both accounts production and audit is two months shorter than in prior years.</p> <p>In order to meet the revised deadlines, the Authority may need to make greater use of accounting estimates. In doing so, consideration will need to be given to ensuring that these estimates remain valid at the point of finalising the financial statements. In addition, there are a number of logistical challenges that will need to be managed. These include:</p> <ul style="list-style-type: none"> <li>— Ensuring that any third parties involved in the production of the accounts (including valuers and the Pension Actuary) are aware of the revised deadlines and have made arrangements to provide the output of their work in accordance with this;</li> <li>— Revising the closedown and accounts production timetable in order to ensure that all working papers and other supporting documentation are available at the start of the audit process;</li> <li>— Ensuring that the Audit Committee meeting schedules have been updated to permit signing in July; and</li> <li>— Applying a shorter paper deadline to the July meeting of the Audit Committee meeting in order to accommodate the production of the final version of the accounts and our ISA 260 report.</li> </ul> <p>In the event that the above areas are not effectively managed there is a significant risk that the audit will not be completed by the 31 July deadline.</p> <p>There is also an increased likelihood that the Audit Certificate (which confirms that all audit work for the year has been completed) may be issued separately at a later date if work is still ongoing in relation to the Authority’s Whole of Government Accounts return and the Pension Fund Annual Report. This is not a matter of concern and is not seen as a breach of deadlines.</p> <p>Although the draft Pension Fund accounts have normally been available earlier than the Authority’s statements the 31 May deadline will still be challenging. As with the Authority’s statements we will work with managers in advance of our audit to understand the steps being taken to meet these deadlines and the impact on our work Pension Fund audit work.</p>
<b>Our assessment and work undertaken:</b>	<p>We liaised with officers in preparation for our audit in order to understand the steps that the Authority was taking in order to ensure it met the revised deadlines and the accounts and supporting working papers were of the required quality. We confirmed that there was no increased reliance on estimates as part of the closedown process. We confirmed that the Authority and the Pension Fund published a complete set of draft financial statements on 31 May 2018.</p> <p>As a result of this work we determined that the earlier financial reporting requirement had been met.</p>

# Specific audit areas (cont.)

## Significant Audit Risks – Authority (cont.)

<b>Risk:</b>	<b>Agresso upgrade</b> The Authority has made progress in addressing the difficulties experienced in operating Agresso following its implementation in 2015/16, although there are continuing issues relating to the processing and reconciliation of the Authority’s payroll. The Authority is carrying out a significant upgrade to Agresso during 2017/18. This upgrade needs to be effectively managed to ensure the system operates properly and to minimise the impact on in-year processing and the year-end reporting. This risk applied to both the Authority and the Pension Fund.
<b>Our assessment and work undertaken:</b>	We considered the arrangements established to manage the upgrade, liaised with Internal Audit to take into account their findings and reports on the process, and discussed the progress made and outcome of the upgrade with management. The upgrade was completed ahead of the year end and the changes did not have a significant impact on the accounts production or our audit..

# Specific audit areas (cont.)

## Significant Audit Risks – Pension Fund

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Pension Fund.

<b>Risk:</b>	<b>Valuation of hard to price investments</b> The Pension Fund invests in a wide range of assets and investment funds, some of which are inherently harder to value or do not have publicly available quoted prices, requiring professional judgement or assumptions to be made at year end.
<b>Our assessment and work undertaken:</b>	As part of our audit of the Pension Fund, we independently verified a selection of investment existence and prices to third party confirmations. We also considered to what extent the Pension Fund management has challenged the valuations reported by investment managers for harder to price investments. As a result of this work we determined that these investments had been properly valued.

# Specific audit areas (cont.)

## Other areas of audit focus

In our *External Audit Plan 2017/18* we identified the following as those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

- **Schools cash balances** – the Authority's 2016/17 accounts included around £2.5m relating to the 2014-15 year-end balances for three prime account schools which have since converted to academy status. The relative amounts due to and from these schools were under dispute and there had been difficulties and delays in the Authority and the schools determining an agreed position. We have followed this up as part of our current year audit and confirmed that this issue has now been resolved.
- **Pension Fund investments fair value disclosures** – these disclosures are detailed and can involve difficult judgements to confirm the investments are correctly categorised and properly presented. We have audited the fair value disclosures as part of the Pension Fund audit and not identified any material misstatements

## Other matters – Pension Fund

In addition to the risks set out above, if we receive specific requests from the auditors of other admitted bodies, we are required to support their audits under the protocols put in place by the PSAA for this purpose. We have completed the audit work requested by the other auditors and reported our findings to them.

# Judgements

We have considered the level of prudence within key judgements in your 2017-18 financial statements and accounting estimates. We have set out our view below across the following range of judgements.

**Level of prudence**



Subjective area	2017-18	2016-17	Commentary
Property, Plant and Equipment (PPE) valuations	<b>3</b>	<b>3</b>	Valuations are consistent with information provided by the independent expert valuers. We have reviewed the arrangements and discussed the approach with managers. The Authority has not made any significant changes to its approach to asset lives or its valuation arrangements.
Valuation of pension assets and liabilities	<b>3</b>	<b>3</b>	There have been no significant changes in the approaches to determining the estimate. The Authority has again relied on an independent expert actuarial valuation for its estimates. We did not identify any concerns regarding the Authority's approach or the assumptions used. The reported balance, together with assumptions and disclosures for inflation, discount rate, salary growth, life expectancy etc. are consistent with the report from the external actuary.
Provisions	<b>3</b>	<b>3</b>	We have reviewed the Authority's approach to estimating its provisions and not identified any material misstatement or further issues of concern for the Authority's attention.
Investments	<b>3</b>	<b>3</b>	We have reviewed arrangements for determining the accurate values for the Authority and Fund's investments and financial instrument disclosures. We did not identify any concerns regarding the valuations recorded.
Disclosure of Retirement Benefit Plans (Pension Fund)	<b>3</b>	<b>3</b>	IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed (the liability is not included within the Net Assets Statement). There have been no significant changes in the approaches to determining the estimate. The Authority has again relied on an independent expert actuarial valuation for its estimates. We did not identify any concerns regarding the Authority's approach or the assumptions used.

# Proposed opinion and audit differences

**Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's 2017-18 financial statements following approval of the Statement of Accounts by the Audit Committee on 23 July 2018.**

### Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see [Appendix 4]) for this year's audit was set at £12 million. Audit differences below £600k are not considered significant.

We did not identify any material misstatements. We identified two misstatements above our reporting threshold that have not been adjusted by management. We have provided more information on these items and the misstatements which have adjusted at Appendix 3. It is our understanding that these will be adjusted in the final version of the financial statements. None of the audit adjustments agreed during our audit impact on the Authority's movements on the General Fund or the year and balance sheet as at 31 March 2018.

We identified a small number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ('the Code'). These presentational adjustments were not significant and there are none that we are required to bring to your attention in this report.

### Annual governance statement

We have reviewed the Authority's final 2017-18 Annual Governance Statement and confirmed that it is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

### Narrative report

We have reviewed the Authority's 2017-18 narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Authority.

# Pension Fund financial statements

**Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing unqualified audit opinion on the Pension Fund's 2017-18 financial statements following approval of the Statement of Accounts by the Audit Committee on 23 July 2018.**

## **Pension Fund audit**

Our audit of the Fund also did not identify any material misstatements.

For the audit of the Fund we used a materiality level of £19 million. Audit differences below £900k are not considered significant.

There are no adjusted or unadjusted audit differences that we need to report to you.

## **Annual report**

We have reviewed the Pension Fund Annual Report and confirmed that:

- It complies with the requirements of the Local Government Pension Scheme (Administration) Regulations 2008; and
- The financial and non-financial information it contains is not inconsistent with the financial information contained in the audited financial statements.

We anticipate issuing an unqualified opinion on the Pension Fund Annual Report at the same time as our opinion on the Statement of Accounts.

# Completion

**We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2017/18 financial statements.**

**Before we can issue our opinion we require a signed management representation letter.**

**Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.**

## Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Lincolnshire County Council and Lincolnshire Pension Fund for the year ending 31 March 2018, we confirm that there were no relationships between KPMG LLP and Lincolnshire County Council and Lincolnshire Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in [Appendix 5] in accordance with ISA 260.

## Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to management for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

## Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2017-18 financial statements.

**Section three**

# Value for Money Arrangements



# Specific value for money risk areas

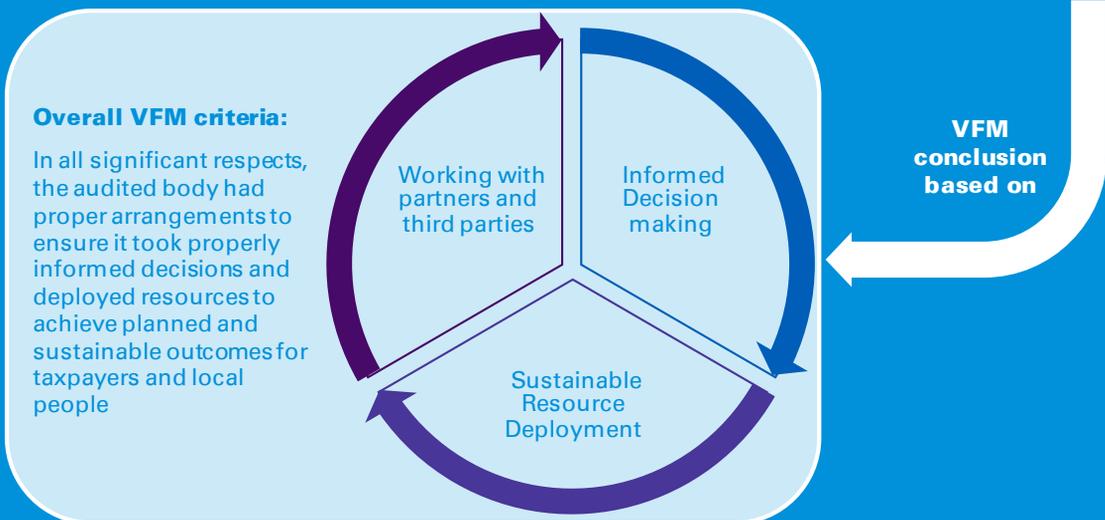
Our 2017-18 VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have concluded that the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

We follow a risk based approach to target audit effort on the areas of greatest audit risk.



# Specific value for money risk areas (cont.)

The table below summarises our assessment of the individual VFM risks identified against the three sub-criteria. This directly feeds into the overall VFM criteria and our value for money opinion.

**Applicability of VFM Risks to VFM sub-criteria**

VFM Risk	Informed decision making	Sustainable resource deployment	Working with partner and third parties
Financial standing and medium term financial planning	✓	✓	✓
Corporate Support Services Provider’s performance	✓	✓	✓

In consideration of the above, we have concluded that in 2017-18, the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Further details on the work done and our assessment are provided on the following pages.



# Specific value for money risk areas (cont.)

As communicated to you in our *External Audit Plan 2017-18*, and as updated throughout the audit, we have identified two risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

We have provided below a summary of the risk areas identified, our work undertaken and the conclusions reached.

### **Risk: *Financial standing and medium term financial planning***

The Authority continues to face similar financial pressures and uncertainties to those experienced by others in the local government sector. The Authority needs to have effective arrangements in place for managing its annual budget, generating income and identifying and implementing any savings required to balance its medium term financial plan.

#### ***Our work undertaken and assessment***

As part of our additional risk based work, we reviewed the arrangements the Authority has in place in these areas and for ensuring its continuing financial resilience. We have considered the Authority's arrangements for managing its annual revenue and capital budgets, the 2017/18 outturn and the medium term financial plan. The 2017/18 revenue budget (excluding schools) was underspent by £27.7m. The Authority had forecast the underspend during the year with the largest variance being in capital charges (£8m) and other budgets. The capital charges underspend reflects the slippage in the capital programme in the year and the lower than budgeted borrowing requirement. The reasons for the slippage in the capital programme are included in the July 2018 outturn report to the Authority's Executive.

In February 2018, the Authority approved a balanced 2018-19 budget. The budget included the required S.151 Officer assurances relating to the robustness of the budget and the adequacy of the level of reserves, but acknowledged the continuing risks around the delivery and timing of savings initiatives and the need to address the budget shortfall in future years. The budget was based on a balanced two year financial plan (including 2019-20) for revenue and capital budgets, taking the Council to the end of the current four year funding deal agreed with Central Government. This is a step forward from recent previous years when, given the uncertainty over funding and spending requirements, the Authority only published a financial plan for the next financial year. The 2018-19 budget again reflects a mixed approach to addressing the cost pressures identified (£26.9m), the reduced level of central grant funding and the estimated impact of the Lincolnshire Council's Business Rates Pilot introduced for 2018-19 (an overall increase of £7.5m in the Council's resources was estimated). The Authority approved:

- a 4.95% increase in Council Tax (3.99% in previous year), including 2% for the 'social care precept';
- savings of £23.1m (£39.5m in previous year) in Commissioning Strategy and Other Budgets; and
- A total transfer from reserves of £2.5m, which was much lower than the previous year budgeted transfer of £17.9m from the earmarked Financial Volatility Reserve. The 2019-20 budget does though see an increased reliance on this reserve, with nearly £34m expected to be transferred in that year.

The budget also reflects a further £8m funding support for continuing service transformation through the Flexible Use of Capital Receipts Strategy. The budget setting was informed by an October 2017 risk assessment which took into account a full assessment of the financial risks facing the Council, and challenged the underlying estimates, assumptions and contingencies. The budget acknowledges the need for continuing close monitoring of savings and the further strengthening of financial management arrangements. The risks highlighted in the budget are consistent with those faced by others in the sector, particularly in relation to the demands on adult care services, and the medium term outlook for remains challenging. We are satisfied though that there were adequate arrangements in place at 31 March 2018 and there are no significant matters relating to this risk area which prevent us from giving an unqualified VFM conclusion.

# Specific value for money risk areas (cont.)

**Risk:** *Corporate Support Services Provider's performance*

The Authority's management continues to work with the Corporate Support Services provider and there is a significant level of resource aimed at strengthening the arrangements for managing the contract and ensuring consistent performance by the contractor to the expected standards across the full range of services provided. Given the general pressure on the Authority's resources it is important that the expected improvements in the contractor's performance are achieved and maintained

***Our work undertaken and assessment***

We considered:

- the key arrangements the Council had in place during 2017-18 and to date for managing this support services contract - there are wide-ranging formal arrangements in place and we confirmed they were in place.
- the Contractor's reported performance and the Authority's arrangements for scrutiny and challenge – the Authority has continued to apply and develop the framework, has regularly monitored performance and, if necessary, claimed service credits. The reported performance has improved during the year, particularly in the 2<sup>nd</sup> half with target service levels being achieved for virtually all services over that 6 month period.

The Authority has maintained its focus on the key areas of difficulty, most significantly relating to HR/Payroll and IT services, and has worked with the provider to try and address matters of continuing concern. Although progress has been mixed and in some areas not at the pace the Authority expected we are satisfied that overall there were adequate arrangements in place at 31 March 2018 and there are no significant matters relating to this risk area which prevent us from giving an unqualified VFM conclusion. We are aware that in May 2018 the Authority's Executive considered a report on the current support services contract, which is due to expire at the end of March 2020. The Executive approved a series of recommendations relating to the re-provision of the services included with the current contract by alternative providers. The Authority is currently engaging with the market and likely alternative provider organisations.

# Appendices

**Appendix 1:**

# Key issues and recommendations

We have set out in this appendix the recommendations arising from our audit work on the Authority's 2017-18 financial statements, together with management's responses. The Authority should closely monitor progress in addressing the risks, including the implementation of our recommendations.

We have given each recommendation a risk rating and agreed what action management will need to take.

**Priority Rating for Recommendations**

<b>1</b>	<p><b>Priority One:</b> Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p> <p>Recommendations Raised: 0</p>	<b>2</b>	<p><b>Priority Two:</b> Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p> <p>Recommendations Raised: 1</p>	<b>3</b>	<p><b>Priority Three:</b> Issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p> <p>Recommendations Raised: 0</p>
----------	--	----------	--	----------	---

Risk	Issue & Recommendation	Management Response
<b>1</b>	<p><b>Related Parties</b></p> <p><b>Risk</b></p> <p>In the course of our work we tested the completeness and accuracy of the disclosures relating to councillors by cross checking their year end declarations to the Register of Interests and other information, including Companies House records. We identified some inconsistencies relating to one Councillor's return included in our sample. These findings have been shared with officers for follow up and we are satisfied the specific matters identified do not materially affect the accounts.</p> <p><b>Recommendation</b></p> <p>Managers should ensure there are robust arrangements for ensuring the Councillors' related party disclosures and other records (such as the Register of Interests) are complete and accurate.</p>	<p>The Finance Team has shared the auditor's findings with Committee/Member Services and the Council will look to improve the arrangements in preparation for the 2018/19 year end process.</p> <p><b>Responsible Officer</b></p> <p>Technical and Development Finance Manager</p> <p><b>Implementation Deadline</b></p> <p>For 2018/19 financial statements.</p>

# Follow-up of prior year recommendations

The Authority has made progress in relation to the recommendations we raised in the ISA 260 2016/17 but there are some areas which need to be improved further.

This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2016/17* and re-iterates any recommendations still outstanding.

**Number of recommendations that were**

Included in the original report	7
Implemented in year or superseded	2

Risk	Issue & Recommendation	Management Response	Status as at July 2018
1	<p><b>Working Papers</b></p> <p>Virtually all of the required working papers were available by the agreed date and met the expected quality standards. There were some specific weaknesses in the working papers to support the staff cost notes in the accounts. Changes were required to both the working papers and these notes during the audit.</p> <p><b>Recommendation</b></p> <p>We recommend that the Authority ensure there are effective quality assurance arrangements in place for the production of the 2017-18 supporting working papers.</p>	<p>The Finance team had already identified various issues relating to this and external audit's other observations.</p> <p>Early training of Finance team is already planned in order to highlight and address the issues we have encountered in 2016-17. One of the planned training sessions will address the issue relating to the working papers and preparation of notes. There are various points that a preparer has to be aware in order to satisfy the requirements of the auditors and this will be communicated to the team to improve further the quality of the notes.</p> <p>Included in the planned work within Finance, we are currently looking at the various payroll reports we have used to prepare the notes to the accounts to identify the required changes in order to produce the notes. We are also putting in place a more robust process in reviewing the work when producing these notes.</p> <p>Further audit requirements by the auditors from Serco will continue to be managed through their Business Relationship Manager as we have found this to be effective.</p>	<p>The quality of the working papers was not consistently good across all areas for 2017-2018 and we have provided specific feedback to officers where required. This is an area where the finance team should continue to improve its arrangements.</p> <p>Management has provided the following response to this continuing recommendation:</p> <p><i>The planned training of the Finance Team had taken place however following the audit, this identified further gaps and issues in our working papers. We will review the proformas we currently use and any changes will be communicated to the Finance Team through further training sessions.</i></p> <p><i>In order to ensure that the year-end timetable was met, various tasks had been allocated to those who were not previously involved in preparing working papers for audit. Whilst it helped us achieve the deadline, some of the working papers had fallen short on the expected quality. Therefore we will further strive to share best practices across the whole of the Team in order that the quality is consistent in all areas.</i></p> <p style="text-align: right;"><b>Recommendation continuing</b></p>

# Follow-up of prior year recommendations

Risk	Issue & Recommendation	Management Response	Status as at July.2018
2	<p><b>Production of 2017-18 draft accounts and external audit</b></p> <p>The draft financial statements were prepared and published by 30 June 2017. The Authority is in a relatively good position to meet the 31 May 2018 deadline for the publication of the 2017-18 draft financial statements. Nevertheless it needs to continue to ensure its arrangements are effective. The audit opinion deadline has also been brought forward to 31 July 2018 meaning that there will be much less time for the accountancy team to respond to and process any audit queries or changes to the draft financial statements. There was a relatively small number of audit queries this year and presentational errors in the 2016-17 draft financial statements identified during our audit, and these are to be corrected by management</p> <p><b>Recommendation</b></p> <p>The accountancy team should critically review its closedown arrangements and the format and likely content of the Statement of Accounts before the 2017/18 year-end and discuss its proposals with KPMG before the statements are produced.</p>	<p>We are now working on the closedown timetable in order to meet the early deadline. Early training of the Finance team to highlight and address the issues we have encountered in 2016-17 is already planned. Additionally, training is also being planned for budget holders to engage them and be aware of their role in the closedown process.</p>	<p>The draft accounts were prepared and published by the deadline.</p> <p><b>Recommendation implemented</b></p>
3	<p><b>School cash balances</b></p> <p>Included within the total Cash and Cash Equivalents balance in hand is around £2.5m relating to the 2014-15 year-end balances for three prime account schools which have since converted to academy status. There are corresponding creditor balances in the accounts which off-set this balance. The relative amounts due to and from these schools are under dispute and there have been difficulties and delays in the Authority and the schools determining an agreed position.</p> <p><b>Recommendation</b></p> <p>We recommend the Authority progress this matter during 2017-18 and ahead of the year-end accounts.</p>	<p>The balance sheet review process will be strengthened this year. This will pick up any outstanding issues that will need resolving, like the School cash balances. We will continue to work with the auditors on any changes we will be making for the contents of the Statement of Account for 2017-18.</p>	<p>We have been informed by Irene Smith and our testing performed that this issue has been resolved and no longer appears as an issue in the 2017-2018 Statement of Accounts.</p> <p><b>Recommendation implemented</b></p>

# Follow-up of prior year recommendations

Risk	Issue & Recommendation	Management Response	Status as at July.2018
4	<p><b>User Administration</b>                      We inspected documentation describing the existence of user administration processes; however the authority was unable to provide evidence to support the appropriateness of access provided to a sample of new starters. Furthermore, we identified a number of active user accounts associated with staff who had left the authority. Upon further investigation, it was established that there were weaknesses in the leavers' process due to reliance upon line manager notification and the absence of complimentary detective controls.</p> <p><b>Recommendation</b>                      We recommend that the authority maintains a searchable record of user access requests in order to support accountability and provide an audit trail for statutory audit purposes. Furthermore, the authority should make improvements to the leavers' process to reduce reliance upon line manager notification as the primary control point and to eliminate the possibility of account re-use after an employee has left.</p>	<p>Agreed.                      From an IT perspective: The control of access to software systems and the management of Active Directory accounts is undertaken by the Council's IT Service Provider, Serco. There are technical controls which meet ISO27001 and PSN Co-Co obligations in place and Serco have processes and procedures to meet these obligations. All user access requests are managed via the IT Provider's IT Service Desk tool, Remedy On Demand (RoD) and therefore a log of all requests for audit purposes is available for audit purposes.                      At the point that the Serco IT Team are made aware of a Leaver, the process works well. However, the processes employed by the Serco HR Admin Team were historically poor and this has caused some issues. The data within Agresso, which should act as the trusted source for staff information is inaccurate and this has led to inaccuracies in the corresponding IT systems. A number of initiatives have been instigated to reduce this impact including a complete review of the starters, leavers and movers process across both HR and IT; unfortunately, these initiatives stalled.                      To mitigate these risks the Council has invested in Microsoft Identity Manager to streamline and workflow the changes in the HR system to system access, however this project is currently running in excess of two and a half years late due to delivery issues within Serco.                      From an Agresso System Administration perspective: The internal reporting for Agresso(LAGAN) requires further development to provide the information required for the Leavers process. This will be raised with the People Management Portfolio Board, however it is hoped that the current MIM project will address some of these weaknesses.                      However, the Council has a deliberate policy of not closing users on Agresso when people leave the Authority. This is because there may well be transactions in the system part-way through workflow, which need to be actioned by a nominated substitute. If the user record is closed, these transactions cannot be completed. Because access to the system is by single sign-on through the person's network logon, the risk of unauthorised access is very low, subject to the efficient working of the Leavers process (see comments and actions above).</p>	<p>The following update has been provided by management:   <i>From an IT Perspective: Serco have recently re-started the Identity Management Project and a Project Manager and Technical resource has been assigned with build orders for the required servers in flight.</i>   <i>Regarding the leaver process, an interim manual process to perform a rollup once a month upon leavers information from the Serco HR Function was agreed at the instruction of our Information Assurance Manager, David Ingham. This process is in place until a more automated process is enabled by delivery of the Identity Management Project.</i>   <i>The current method of manually maintaining this process is still being completed by the Service Desk, and will continue until the Microsoft Identity Manager (MIM) is in place (the project is currently active). Cross checking will continue to validate AD accounts not active past 30 days once identified through HR leaver reports.</i>   <i>From Agresso System Administration perspective: No changes have occurred. Liaison with LAGAN Administrators is expected to be an on-going liaison function.</i>                       Management's response confirms that the work to address the original recommendation is still in progress.   <b>Recommendation continuing</b></p>

# Follow-up of prior year recommendations

Risk	Issue & Recommendation	Management Response	Status as at July.2018
5	<p><b>Change Management</b> We inspected documentation describing the existence of a change management process based upon ITIL principles; however, despite multiple requests to the authority and its supplier, we were not provided with any evidence to support the effective implementation or operation of this process.</p> <p><b>Recommendation</b> The authority should maintain adequate records to demonstrate the effective operation of their change management processes in order to provide accountability for actions undertaken. This will support effective operational processes and the ability to roll-back in the event of a failed change, as well as providing an audit trail for statutory audit purposes.</p>	<p>Agreed. From an IT perspective: The IMT team manages the Change Advisory Board (CAB) process which protects the infrastructure and systems from ungoverned technical change; this is aligned with ITIL. Changes which are only impacting a single system is governed by the Governance Procedures within that user-group and would not be subject to CAB. From an Agresso System Administration perspective (for those changes which are not approved via CAB): This will be raised with the Agresso Governance Board (where all none CAB approvals are made), and more formal processes established for agreeing these changes.</p>	<p>The following update has been provided by management:</p> <p><i>From an IT Perspective: ICT Quality Manager, David Rose – Allen has been working with the BW On Team to improve this process and can confirm that a satisfactory governance model is now being followed. It is not a mature model at this stage, but it is now widely accepted by the business and is an area that has been targeted for continual improvement. This will be continued to be reviewed and improved over the coming months.</i></p> <p><i>All changes, both technical and application level, are now presented to a governance board on a weekly basis. The board controls all change and acts a guardian to the system and its infrastructure. Application changes are reviewed and approved by this board whilst technical changes are reviewed and passed to formal CAB for approval.</i></p> <p><i>This board works in two capacities, one to approve change and one to manage the upcoming pipeline and control the business areas to ensure that they are planning and completing work as expected.</i></p> <p><i>From Agresso System Administration perspective: The BW governance Board process has been further strengthened, with revised processes and paperwork. Corporate IT involvement is also now increased, which ensures a strong link to data governance.</i></p> <p>Management’s response confirms that the work to address the original recommendation is still in progress.</p> <p><b>Recommendation continuing</b></p>

# Follow-up of prior year recommendations

Risk	Issue & Recommendation	Management Response	Status as at July.2018
6	<p><b>Segregation of Duties</b>                      We established that there is no segregation of duties between development staff and those responsible for migration of changes into to the live environment. Whilst an informal system of management checks / peer review is used to check that actual changes to the live system has been carried out according to the approved configuration document, this check is not documented or evidenced. We were unable to establish any relevant monitoring or compensating controls to mitigate the associated risks and further noted that formal definition of appropriate access to change and development staff (including respective responsibilities of the authority and their supplier) is still under development.</p> <p><b>Recommendation</b>                      We recommend that, where practical, access to undertake development and migrate changes to the live environment should be assigned to separate roles. Roles and responsibilities for the management of the live system, including the respective responsibilities between the authority and their supplier, should be agreed and documented.</p>	<p>Agreed.                      In terms of the comments on documentation this will be raised with the Agresso Governance Board, and more formal processes established for agreeing changes. Due to the size of the team it is feasible to have a division of duties between development of changes and application in the live environment. However, there is a process of peer review where work is developed and reviewed by different team members. There is also an established process of developing, building and testing before changes are migrated into the live environment to reduce the risk of manual error.</p>	<p>The following update has been provided by management:   <i>The BW governance has been further strengthened. Otherwise there have been no changes made.</i></p> <p>Management’s response confirms that the work to address the original recommendation is still in progress.</p> <p><b>Recommendation continuing</b></p>

# Follow-up of prior year recommendations

Risk	Issue & Recommendation	Management Response	Status as at July 2018
7	<p><b>Payroll Control Weaknesses</b></p> <p>We have tested key opinion controls as part of our focus on significant audit risks and other parts of your key financial systems on which we rely as part of our audit. The strength of the control framework informs the substantive testing we complete during our final accounts visit.</p> <p>Payroll system controls continue to be a area of concern our audit approach to this was again largely substantive. There is overlap between these recommendations and the much broader set of recommendations raised in Internal Audit's reports to the Audit Committee. The areas of weakness identified during our testing included:</p> <ul style="list-style-type: none"> <li>• Payroll Exception Reporting –there have been no consistent and robust control throughout the year. The arrangements were unclear and the exception reports have been inconsistently run, saved and annotated.</li> <li>• Starters and leavers -from the testing carried out we identified a number of control deficiencies These included weaknesses in evidence to support authorisation of new starters or processing of leavers, and a number of employees' Agresso Accounts still being 'active' despite having left the organisation (a result of Payroll not properly terminating the employee on the Agresso System).</li> </ul> <p>The continuing weaknesses in the Payroll system controls are an area of concern and our audit approach to this was again largely substantive.</p> <p><b>Recommendation</b></p> <p>The authority should maintain adequate records to demonstrate the effective operation of their change management processes in order to provide accountability for actions undertaken. This will support effective operational processes and the ability to roll-back in the event of a failed change, as well as providing an audit trail for statutory audit purposes.</p>	None requested	<p>This has continued to be a concern in 2017-18 and highlighted again as a continuing recommendation. It is understood that finance and payroll have now adopted several controls which are now part of 'normal business' which should make the payroll process more robust going forwards.</p> <p><b>Recommendation Continued</b></p>

# Audit differences

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee).

We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

## Adjusted Audit Differences – Authority and Pension Fund

There are no adjusted audit differences to the Authority or Pension Fund financial statements that we are required to report to you. During our audit a number of amendments were identified as required to the supporting notes to the Authority 2017-18 draft financial statements, to correct errors or to comply with the Code requirements. We understand the Finance team is to amend the statements for this matters and to update the Audit Committee on the changes made. We will review these amendments as part of our closing procedures and checks on the final set of the financial statements. The main audit differences related to notes 34 (Exit Packages) and note 35 (Termination Benefits) and these were amended to include £1.6m of redundancy expenditure which had omitted from the disclosure..

## Unadjusted audit differences – Authority and Pension Fund

The following table sets out the uncorrected audit differences identified by our audit of the Authority financial statements for the year ended 31 March 2018. There are no unadjusted audit differences identified by our audit of the Pension Fund financial statements for the year ended 31 March 2018. These differences are individually below our materiality level of £12m. We have considered the impact of these unadjusted audit differences on the Authority's financial statements in forming our audit opinion.

**Table 2: Unadjusted audit differences – Authority (£'000)**

No.	Income and expenditure statement	Movement in reserves statement	Assets	Liabilities	Reserves	Basis of audit difference
1		-	- Cr Short Term Debtors £679k Dr Short Term Investments £679k		-	- Accrued interest of £679k on Short Term Investments has been included in Short Term Debtors, rather than with Short Term Investments.
2	Dr Expenditure (Cost of Services) £4,777	-	Dr PPE £2,063	Cr Accruals £6,840		- Our testing identified a number of creditor transactions which had not, in error, been included in the year end accruals. This included one for £3,152k. The finance team further reviewed payments made in April and May 2018 to identify any additional payments made which related to 2017-18 and where an accrual had not been made. Further items over the year end de-minimis levels (revenue £25k, capital £50k) were identified, totalling £3,688k.
	<b>Dr £4,777</b>	<b>-</b>	<b>Dr £2,063</b>	<b>Cr £6,840</b>		<b>Total impact of adjustments</b>

# Materiality and reporting of audit differences

**The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.**

Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.

Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.

Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our *External Audit Plan 2017-18*, presented to you in January 2018.

Materiality for the Authority's accounts was set at £12 million which equates to around 1.14 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

## **Reporting to the Audit Committee**

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £0.6 million for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

## **Materiality – Pension fund audit**

The same principles apply in setting materiality for the Pension Fund audit. Materiality for the Pension Fund was set at £19 million which is approximately 0.88 percent of gross assets.

We design our procedures to detect errors at a lower level of precision, set at £0.9 million for 2017-18.

## Appendix 5:

# Required communications with the Audit Committee

We have provided below at-a-glance summary of the information we are required to report to you in writing by International Auditing Standards.

Required Communication	Commentary
Our draft management representation letter	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2018.
Adjusted audit differences	We have identified no adjusted audit differences above our reporting threshold for the Authority and the Pension Fund financial statements. See Appendix 3 for further details.
Unadjusted audit differences	<p>The net impact of the two unadjusted audit differences arising from the Authority audit would be to increase the deficit on provision of services by £4,777k. In line with ISA 450 we request that you adjust for these items. However, they will have no effect on the opinion in the auditor's report, individually or in aggregate. See Appendix 3 for further details.</p> <p>We have identified no unadjusted audit differences above our reporting threshold for the Pension Fund financial statements..</p>
Related parties	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	We have set out our assessment of the Authority's internal control environment, including details of any significant deficiencies identified, in Section one of this report.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	We identified no actual or suspected fraud involving the Authority's Member or officers with significant roles in internal control, or where the fraud resulted in a material misstatement in the financial statements.
Significant difficulties	No significant difficulties were encountered during the audit.
Modifications to auditor's report	There are no modifications to our audit report.
Disagreements with management or scope limitations	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.

## Appendix 5:

# Required communications with the Audit Committee (cont.)

Required Communication	Commentary
Other information	<p>No material inconsistencies were identified related to other information in the Narrative Report or Annual Governance Statement.</p> <p>These reports were found to be fair, balanced and comprehensive, and compliant with applicable requirements.</p>
Our declaration of independence and any breaches of independence	<p>No matters to report.</p> <p>The engagement team have complied with relevant ethical requirements regarding independence.</p> <p>See Appendix 6 for further details.</p>
Accounting practices	<p>Over the course of our audit, we have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.</p> <p>We have set out our view of the assumptions used in valuing pension assets and liabilities at page 15.</p>
Significant matters discussed or subject to correspondence with management	<p>There were no significant matters arising from the audit which were discussed, or subject to correspondence, with management.</p>



# Declaration of independence

## **ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF LINCOLNSHIRE COUNTY COUNCIL**

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Limited's ('PSAA's') Terms of Appointment relating to independence, the requirements of the FRC Ethical Standard and the requirements of Auditor Guidance Note 1 - General Guidance Supporting Local Audit (AGN01) issued by the National Audit Office ('NAO') on behalf of the Comptroller and Auditor General.

This Statement is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

### **General procedures to safeguard independence and objectivity**

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

The conclusion of the audit engagement leader as to our compliance with the FRC Ethical Standard in relation to the Lincolnshire Pension Fund audit engagement [and that the safeguards we have applied are appropriate and adequate] is subject to review by an engagement quality control reviewer, who is an Audit Director not otherwise involved in your affairs.

We are satisfied that our general procedures support our independence and objectivity.

## Appendix 6:

# Declaration of independence (cont.)

## Independence and objectivity considerations relating to the provision of non-audit services

### Summary of fees

We have considered the fees charged by us to the authority for professional services provided by us during the reporting period. We have detailed the fees charged by us to the authority for significant professional services provided by us during the reporting period in Appendix 7, as well as the amounts of any future services which have been contracted or where a written proposal has been submitted. Total fees charged by us for the period ended 31 March 2018 can be analysed as follows:

	2017-18 £	2016-17 £
Audit of the Authority	107,325	111,101
Audit of the Pension Fund	24,350	25,344
<b>Total audit services</b>	<b>131,675</b>	<b>136,445</b>
Allowable non-audit services	Nil	50,000
Audit related assurance services	14,600	3,000
Mandatory assurance services	Nil	nil
<b>Total Non Audit Services</b>	<b>14,600</b>	<b>53,000</b>

We are required by AGN 01 to limit the proportion of fees charged for non-audit services (excluding mandatory assurance services) to 70% of the total fee for all audit work carried out in respect of the Authority under the Code of Audit Practice for the year. The relevant non-audit fees were 11.1% of the total fee for all audit work.. We do not consider that the total of non-audit fees creates a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out in the table below.

Description of scope of services	Principal threats to independence and Safeguards applied	Basis of fee	Value of services delivered in the year ended 31 March 2018 £	Value of services committed but not yet delivered £
<b>Audit-related assurance services</b>				
Grant Certification and controls report – Teachers Pensions Agency (TPA) Return, S31 Transport Grant and SFA Subcontracting return	The nature of these audit-related services is to provide independent assurance on each of these returns. As such we do not consider them to create any independence threats.	Fixed Fee	TPA 5,500 S31 4,100 SFA 5,000	nil

## Appendix 6:

# Declaration of independence (cont.)

### Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

### Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

*John Cornett*

**Director, KPMG LLP**

## Appendix 7:

# Audit fees

As communicated to you in our *External Audit Plan 2017-18*, our scale fee for the audit of the Authority is £107,325 plus VAT (£111,101 in 2016-17) and £24,350 plus VAT for the Pension Fund (£25,344 in 2016-17)

We propose an additional fee due to work undertaken in relation to the significant risk areas identified in this report, and to cover the costs of the KPMG experts and specialists we have needed to engage in response to matters identified during the audit. The amount of additional fee has still to be determined and is still subject to final agreement and PSAA approval. We will update the Audit Committee when this has been resolved.

Component of the audit	2017-18 Planned Fee £	2016-17 Actual Fee £
<b>Accounts opinion and value for money work</b>		
PSAA Scale fee Lincolnshire County Council	107,325	111,101
PSAA Scale fee Lincolnshire Pension Fund	24,350	25,344
<b>Total audit services</b>	<b>131,675</b>	<b>136,445</b>
<b>Mandatory assurance services</b>		
	Nil	Nil
<b>Total mandatory assurance services</b>	<b>Nil</b>	<b>Nil</b>
<b>Audit-related assurance services</b>		
Teachers' Pension Return 2016/17	5,500	3,000
S31Transport Grant 2016/17	4,100	Nil
SFA Subcontracts' Controls 2016/17	5,000	Nil
<b>Total audit-related assurance services</b>	<b>14,600</b>	<b>3,000</b>
<b>Allowable non-audit services</b>		
SERCO 'Lessons learned' review	Nil	50,000
<b>Total allowable non-audit services</b>	<b>Nil</b>	<b>50,000</b>
<b>Total non-audit services</b>	<b>-</b>	<b>53,000</b>
<b>Grand total fees for the Authority</b>	<b>146,275</b>	<b>189,445</b>

All fees quoted are exclusive of VAT.





The key contacts in relation to our audit are:

**John Cornett**

Director

T: +44 (0) 116 256 6064  
E: John.Cornett@kpmg.co.uk

**Mike Norman**

Manager

T: +44 (0) 11593 53554  
E: Michael.Norman@kpmg.co.uk

**Clare Pickering**

Audit Assistant

T: +44 (0) 121 609 6103  
E: Clare.Pickering@kpmg.co.uk

**kpmg.com/uk**



This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website ([www.psa.co.uk](http://www.psa.co.uk)).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Cornett, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to [Andrew.Sayers@kpmg.co.uk](mailto:Andrew.Sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk) by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

© 2018 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

CREATE: CRT086281A

This page is intentionally left blank

**Open Report on behalf of Pete Moore - Executive Director of Finance and Public Protection**

Report to:	<b>Lincolnshire Pension Board</b>
Date:	<b>10 January 2019</b>
Subject:	<b>Mazars External Audit Presentation</b>

**Summary:**

This report introduces a report and presentation from the Fund's new external auditor, Mazars.

**Recommendation(s):**

That the Board note the report and presentation.

**Background**

- 1 Lincolnshire Pension Fund's external audit services will be provided by Mazars starting from the audit of the 2018/19 financial accounts and annual report.
- 2 **Appendix A** to this report is an Introduction to Mazars. It provides background information on:
  - The company;
  - The personnel who will work on the Pension Fund Audit; and
  - Mazars audit responsibilities and approach.

**Conclusion**

- 3 This is an opportunity for the Board to meet the Lincolnshire Pension Fund's new external auditor.

**Consultation**

**a) Have Risks and Impact Analysis been carried out?**

Yes

**b) Risks and Impact Analysis**

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

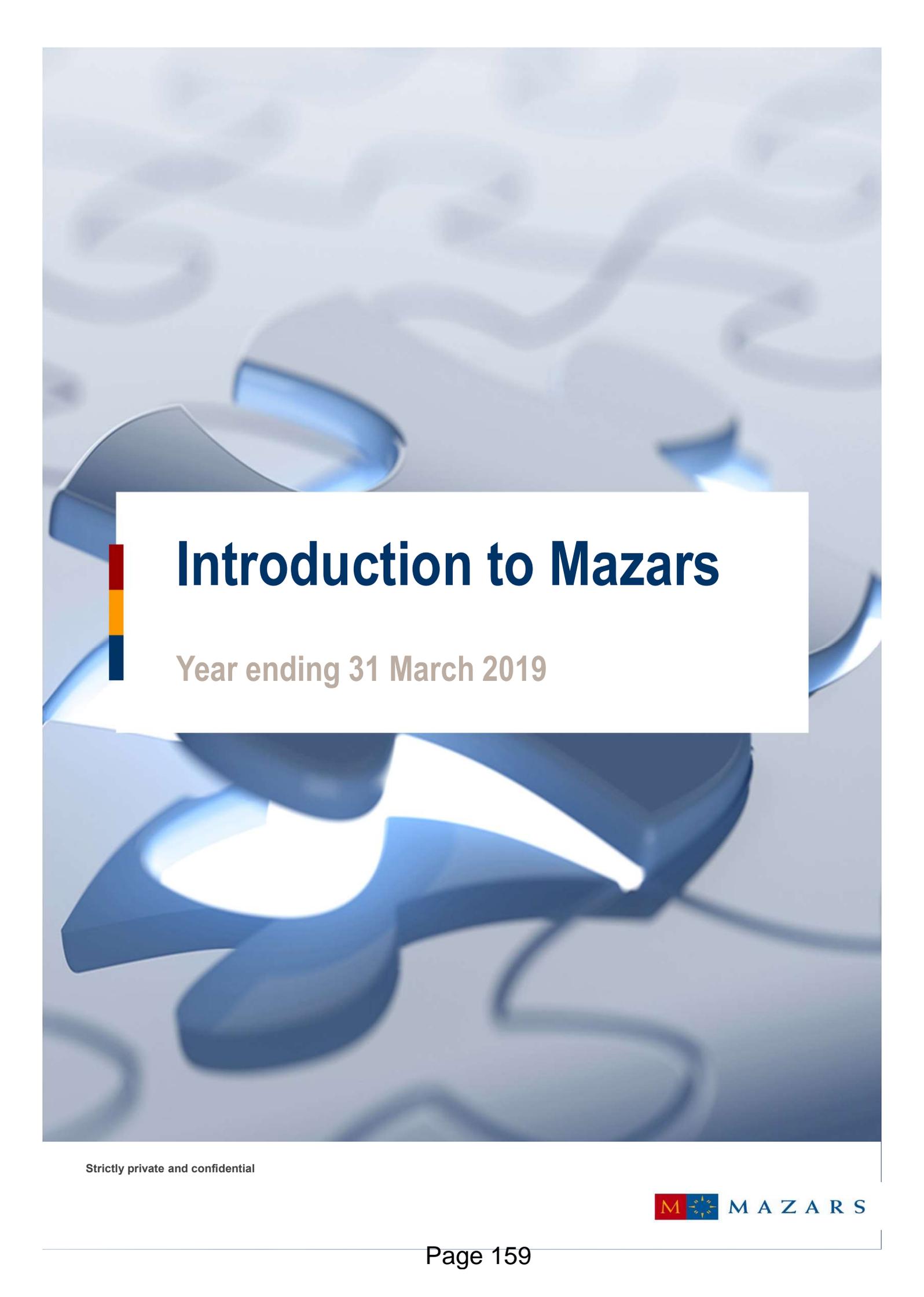
## **Appendices**

These are listed below and attached at the back of the report	
Appendix A	Introduction to Mazars

## **Background Papers**

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Claire Machej, who can be contacted on 01522 553641 or [claire.machej@lincolnshire.gov.uk](mailto:claire.machej@lincolnshire.gov.uk).



# Introduction to Mazars

Year ending 31 March 2019

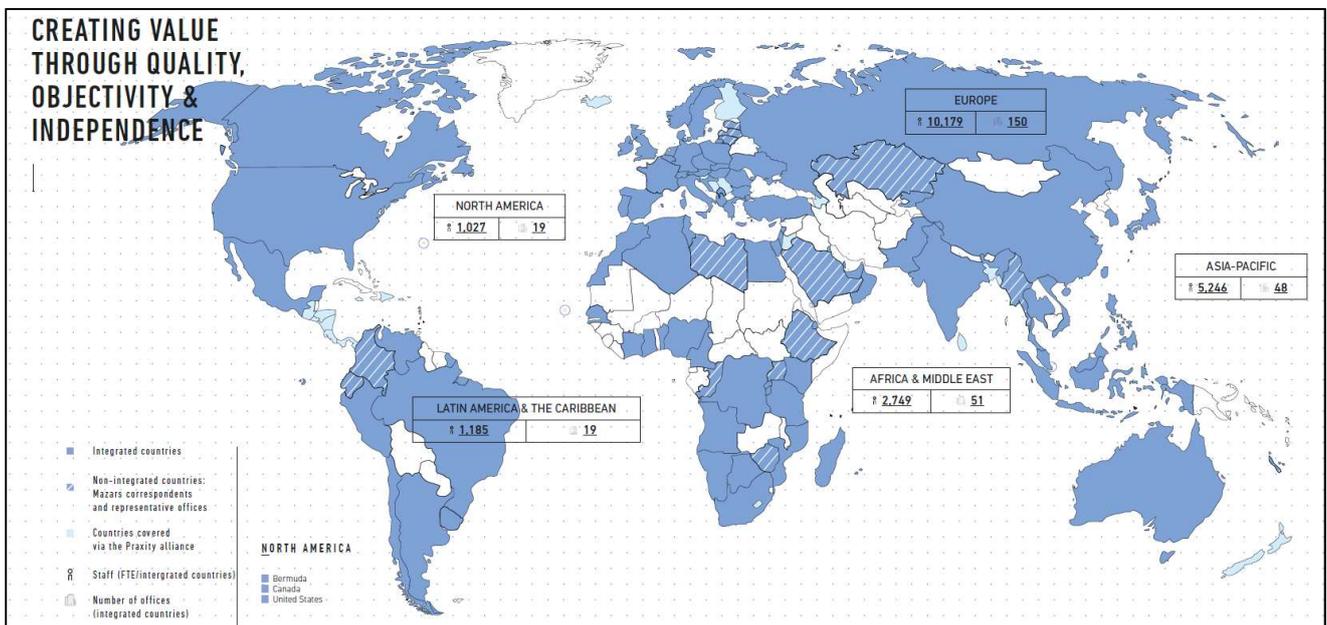
Strictly private and confidential

# 1. MAZARS AT A GLANCE

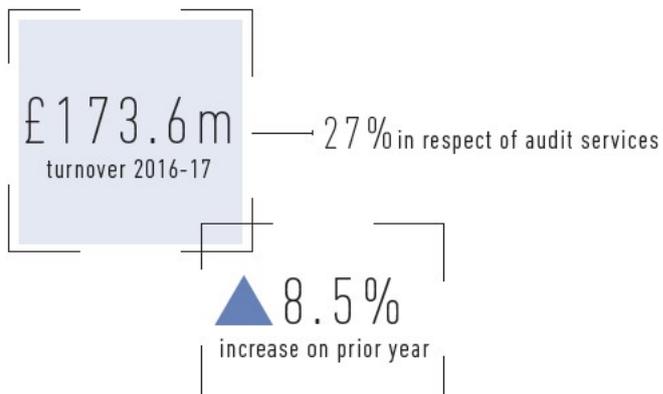
## Mazars LLP

- Fee income €1.5 billion
- Over 86 countries and territories
- Over 300 locations
- Over 20,000 professionals
- International and integrated partnership with global methodologies, strategy and global brand

## Mazars Internationally



## Mazars in the UK



## 2. MAZARS IN THE PUBLIC SECTOR

### Public Sector Audit Appointments Ltd

- PSAA audit supplier since 2011
- Provide 100 public audits in the North East and parts of Yorkshire, North West, East Midlands and North/West London
- Councils, Police Authorities, Fire Authorities, LG Pension Funds, Police and Crime Commissioners, Combined Authorities
- Other suppliers are Deloitte, BDO, EY, and GT
- Consistently met PSAA and other Regulators expectations of the public sector audit work since the original contract began

### Other areas (External and Internal Audit, Advisory)

- National Audit Office and Audit Scotland
- NHS
- Advisory
- Academies and commercial audit
- Social Housing

Mazars LGPS Audits 2018/19	Border to Coast	WYPF
Derbyshire CC Pension Fund		
Durham CC Pension Fund		
East Riding Pension Fund		
Lincolnshire Pension Fund		
West Yorkshire Pension Fund		
Greater Manchester Pension Fund		
LB Camden Pension Fund		
LB Hackney Pension Fund		
LB Harrow Pension Fund		
LB Hounslow Pension Fund		
LB Lambeth Pension Fund		

# 3. THE LOCAL AUDIT TEAM



## Mark Surridge - FCCA, CPFA

### Role

- Mark will be the key contact for the County Council's Management and the Audit Committee. He will have overall responsibility for delivering a high quality audit and will attend Audit Committee meetings.

### Relevant experience

- Mark has over 15 years audit, assurance and advisory experience in local government, healthcare, social housing and higher education sectors. His current clients include Derbyshire County Council and Lincolnshire County Council and other local authorities in Lincolnshire, Nottinghamshire and Derbyshire.

## Lucy Nutley - ICAS

### Role

- Lucy is the Engagement Lead for the separate Pension Fund audit and will have overall responsibility for delivering a high quality audit. Lucy will liaise with the Mazars Engagement Quality Reviewer for this audit, and ensure our approach is co-ordinated with that for the County Council.

### Relevant experience

- Lucy has over 14 years experience providing external audit, internal audit and other business assurance and advisory services to the public and private sectors. Lucy is licenced to carry out Marzars pension fund audits and is also the Engagement Lead on six other LGPS audits.

## Mike Norman - CPFA

### Role

- Mike will be responsible for the work performed on-site and be your regular contact throughout the audit year.

### Relevant experience

- Mike has significant public sector audit experience including Lincolnshire local government bodies, Pension Funds, NHS Trusts and CCGs as well as other central government and non profit organisations. Mike joined Mazars in September 2017, is licensed to carry out Mazars pension fund audits and was the engagement manager under your previous auditors. Mike is therefore familiar to the Audit Committee, the Pension Committee and Board, has well established relationships with your managers and has a good understanding of the Council's and the Pension Fund's issues.

# 4. AUDIT RESPONSIBILITIES AND APPROACH

## Audit Responsibilities

- Framework for the Audit:
  - Local Audit and Accountability Act
  - Accounts and Audit (England) Regulations 2015
  - NAO Code of Audit Practice and Guidance Notes
  - International Standards on Auditing
- Audit Opinion on the PF Accounts:
  - part of joint audit report covering LCC and LPF
  - 'true and fair view' of the LPF transactions and its assets/liabilities
- Consistency opinion on the audited accounts in the PF Annual Report
- Other statutory reporting responsibilities:
  - Public Interest Report
  - Statutory Recommendations
  - Application to the court for a declaration that an item of account is unlawful
  - Advisory notice
  - Application for judicial review
- Rights of the public

## Audit Approach – key points

### Timetable

- Planning – November to January
- Interim Audit – February to March
- Final Accounts Audit – May to July
- Closure – July – Audit Cttee 22 July, opinion deadline 31 July
  
- Reporting to other auditors under the IAS19 protocol - July

## 4. AUDIT RESPONSIBILITIES AND APPROACH (CONT.)

### Audit Approach (continued)

Materiality – set at Planning stage and updated/revised during the year

- Benchmark = net assets - £2,167.9m (31/3/18)
- Overall (up to 1% of the Benchmark) - £21.7m
- Performance materiality (up to 70% of OM) - £15.2m
- 'trivial' threshold (up to 3% of OM) - £0.6m

Largely year-end substantive testing and focused on investments/cash

Contributions and Benefits – lower risk of material misstatement

Reliance on information from Service Organisations

- Custodian
- Fund Managers
- WYP

Reliance on the LPF Experts – Hymans Robertson

## 5. KEY ISSUES FOR 2018/19 AND BEYOND

Managing the transition between auditors and first year audit work

Accounting/reporting requirements – few significant new issues

IAS19 Protocol – communicating with Mazars, EY and GT auditors

Logistics and managing the workload

- Early deadline
- 3<sup>rd</sup> party verifications
- Assurances over Service Organisations

Change of Custodian

Making the most of the opportunities

- WYP
- Border to Coast

Pooling

Brexit and post Brexit

This page is intentionally left blank

**Open Report on behalf of Pete Moore - Executive Director of Finance and Public Protection**

Report to:	<b>Lincolnshire Pension Board</b>
Date:	<b>10 January 2019</b>
Subject:	<b>Employer Monthly Submissions Update</b>

**Summary:**

This paper provides the Board with up to date information on Employer Monthly Submissions for the second quarter of the financial year 2018/19 (July to September).

**Recommendation(s):**

The Board note the report and consider if there are any further actions they wish to take against employers submitting late or inaccurate payments or data.

**Background**

- 1 There are just over 250 employers within the Lincolnshire Pension Fund. All employers have a statutory responsibility, as set out within the Pensions Act 1995, to ensure that they pay over any contributions due to the Fund by the 19<sup>th</sup> of the month following their payroll. The Fund considers an employer a 'late payer' if either the cash and/or the data is received after this date.
- 2 The Fund has in place robust processes for monitoring the receipt of payments and data from employers. Within the Pensions Team, the Finance Technician post is responsible for employer contributions monitoring. Additional checks are also undertaken by the West Yorkshire Finance Team on the detail within the data submissions, and the pensions system itself identifies errors, queries, or where further information is required from the employer (e.g. additional leavers' information).
- 3 After any late payment (including data submission) an email is sent to the employer reminding them of their responsibilities. In addition to emailing employers, the Lincolnshire Pension Fund Finance Technician is in regular contact with employers and their payroll providers to prompt payments/data submissions and clarify any queries. Much work has been put into building a good relationship with the employers and payroll providers, to assist in understanding the process and the data required.

- 4 A summary of all late contributions or data submissions since April 2018 is set out in table one below and details of the individual employers for quarter two can be found at **Appendix A**.

**Table One: Late contributions and data submissions to September 2018**

Month	Payment of Contributions		Submission of Data	
<i>April</i>	6	2.4%	15	6.0%
<i>May</i>	2	0.8%	23	9.1%
<i>June</i>	5	2.0%	7	2.8%
July	4	1.6%	9	3.6%
August	5	2.0%	6	2.4%
September	2	0.8%	2	0.8%
<b>Total for 2018/19</b>	<b>24</b>		<b>62</b>	

- 5 The analysis shows the number of employers making late contributions is a relatively small percentage of the overall number of employers. The high number of late data submissions at the beginning of the financial year (this arose as a result of changes to a number of payroll providers payroll systems) has continued to decrease into quarter two, with just two employers being determined as late with their September data.
- 6 None of these breaches individually have been material and therefore have not been reported to the Pensions Regulator; however, they have been included en masse in the breaches register.
- 7 If any employer makes contribution payments or submits data late in three out of six months on a rolling basis, they will receive a fine, unless they are able to offer extenuating circumstances. Fines are currently set at a minimum of £96. Details of fines issued since April 2018 are set out in table two below.

**Table Two: Late contributions fines to September 2018**

<i>April</i>	<i>May</i>	<i>June</i>	July	August	September
<i>No fines</i>	3	2	4	3	2

## Conclusion

- 8 The Pensions Board requested quarterly monitoring information on the timeliness and accuracy of employer submissions to understand if there are any issues arising from late payments or data and any further actions which are required to address employers not meeting their statutory responsibilities.

- 9 Employer submissions have increased in prominence as the number of employers within the scheme has increased. The Fund has responded to this by having a dedicated resource to monitor employer submissions and working closely with West Yorkshire and employers to reduce the numbers of late payers.

## Consultation

### a) Have Risks and Impact Analysis been carried out?

Yes

### b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

## Appendices

These are listed below and attached at the back of the report	
Appendix A	List of Late Contributions Payments or Late Data Submissions Quarter Two (July – September 2018)

## Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Claire Machej, who can be contacted on 01522 553641 or [claire.machej@lincolnshire.gov.uk](mailto:claire.machej@lincolnshire.gov.uk).

This page is intentionally left blank

## Late Contributions Payments or Late Data Submissions

### July 2018

Employer	Late Contributions	Date received	Late Data Submissions	Date submitted
Active Lincolnshire	Yes	28/08/2018	No	
Bracebridge Infant And Nursery School	No		Yes	26/09/2018
Compass Group	Yes	Paid to WYPF	Yes	Paid to WYPF
Greenwich Leisure Limited (GLL)	Yes	20/08/2018	Yes	12/09/2018
Grantham College	No		Yes	20/08/2018
Lindsey Marsh Internal Drainage Board	No		Yes	28/08/2018
Skegness Grammar Academy	No		Yes	31/08/2018
South Holland District Council	Yes	20/08/2018	No	
South Kesteven District Council	No		Yes	17/09/2018
The Kings School	No		Yes	20/08/2018
Washingborough Parish Council	No		Yes	18/09/2018
Total = 4		Total = 9		

### August 2018

Employer	Late Contributions	Date received	Late Data Submissions	Date submitted
Acorn Free School Ltd	No		Yes	01/10/2018
Active Lincolnshire	Yes	21/09/2018	No	
Aspens (Monks Dyke Tennyson)	Yes	05/10/2018	Yes	21/09/2018
Caistor Yarborough Academy	Yes	21/09/2018	No	
Compass Group	Yes	Paid to WYPF	Yes	Paid to WYPF
Gainsborough Town Council	No		Yes	28/09/2018
Greenwich Leisure Limited (GLL)	No		Yes	26/09/2018
Grantham Gonerby Hill Foot CofE Primary School	No		Yes	21/09/2018
Springwell Lincoln City Academy (Lincs Teaching & Learning Centre)	Yes	05/10/2018	No	
Total = 5		Total = 6		

### September 2018

Employer	Late Contributions	Date received	Late Data Submissions	Date submitted
Aspens	Yes	12/11/2018	Yes	22/10/2018
North Somercotes CofE Primary	No		Yes	06/11/2018
Ermine Primary School	Yes	Data and payment do not match	Yes	Data and payment do not match
Total = 2		Total = 2		

This page is intentionally left blank

**Open Report on behalf of Pete Moore - Executive Director of Finance and Public Protection**

Report to:	<b>Lincolnshire Pension Board</b>
Date:	<b>10 January 2019</b>
Subject:	<b>Border to Coast Governance Review</b>

**Summary:**

This report details the governance structure of Border to Coast, identifying the key stakeholders and their respective roles.

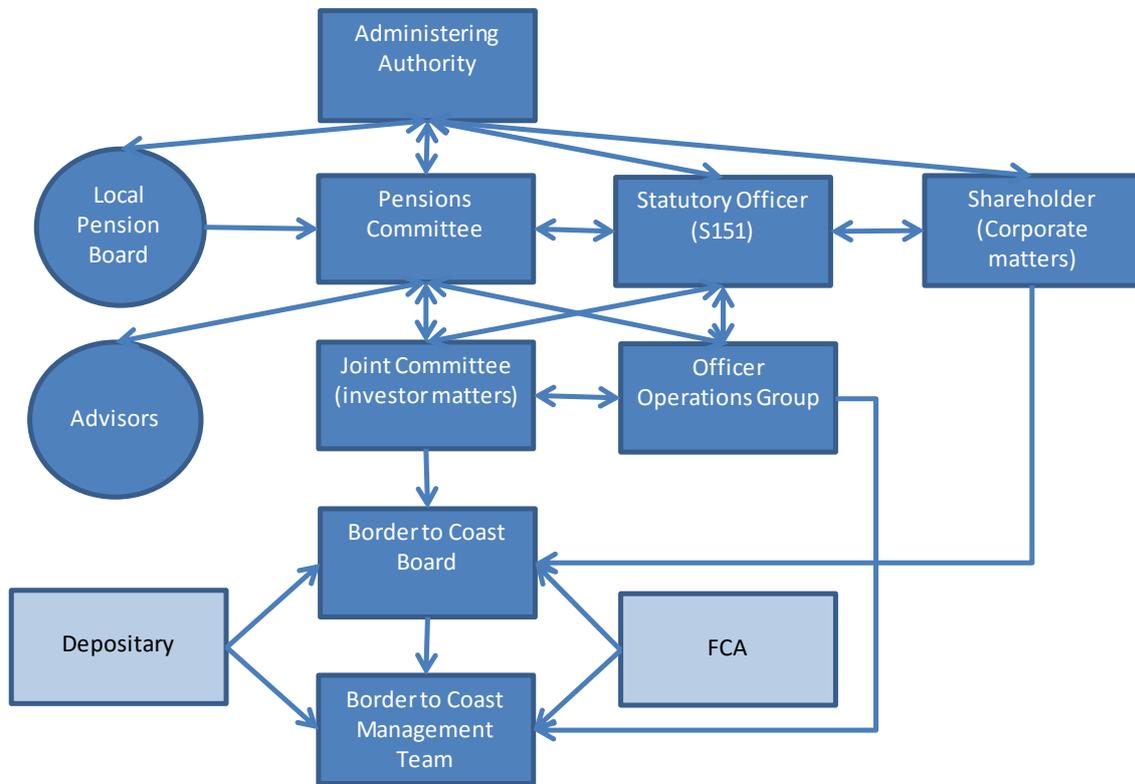
**Recommendation(s):**

That the Board note the report.

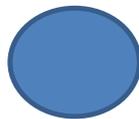
### Background

- 1 At the October meeting of the Pension Board, it was requested that Officers bring a paper detailing the governance arrangements surrounding the Fund's asset pool, Border to Coast Pensions Partnership (Border to Coast).
- 2 There are a number of different key stakeholders across Border to Coast, all with varying interests in different aspects of how Border to Coast performs. The investment performance and capability is overseen by the Partner Funds on a day-to-day basis by senior officers and formally on a quarterly basis by the Joint Committee. Border to Coast's performance as a company is overseen by shareholder representatives from the twelve administering authorities, both on an ongoing basis and formally once a year at its AGM.
- 3 The Partner Funds and Border to Coast work collaboratively to build the investment capabilities required to ensure that the Partner Funds are able to efficiently and effectively deliver their strategic asset allocations. However, in order to hold Border to Coast to account and to meet FCA requirements for a regulated asset manager, the governance structure is designed to ensure sufficient independence between the Partner Funds and Border to Coast during implementation and on-going management of sub-funds.
- 4 The diagram below shows the governance structure in place to ensure proper oversight of Border to Coast is carried out both from a **shareholder** and an **investor** perspective. Further information is then provided on each of the stakeholder groups shown, highlighting their roles and responsibilities in relation to the overall governance structure.

**Border to Coast Governance structure:**



KEY:



Formal decision maker

Provide support and challenge

Regulatory oversight

**Administering Authority (and Pensions Committee) – as the Investor**

- 5 Each local Administering Authority acts as scheme manager for each Pension Fund, and so is responsible, amongst other things, for investing and managing LGPS assets. The Pensions Committee is the decision making body and as such sets the strategic asset allocation and investment strategy for the Fund.
- 6 To enable the Funds to effectively and efficiently implement their investment strategy, Border to Coast, in partnership and working closely with the Partner Funds, is responsible for designing sub-funds with certain risk / return / liquidity characteristics that will provide the strategic “building blocks” for Funds to invest in.

- 7 Once the design is agreed, Border to Coast becomes the asset manager responsible for tactical matters such as implementation and ongoing management of each sub-fund, management of internal investment capability, appointment and oversight of external managers, implementation of responsible investment (voting and engagement) policy, and tactical asset allocation within risk parameters agreed with the Funds.
- 8 The Funds are responsible for the review of whether the built sub-fund meets their strategic needs and, under their fiduciary duties, will review Border to Coast's capability to deliver the objectives. This is done collectively through the groups/individuals shown in the paragraphs below.

#### **Joint Committee (Investor role)**

- 9 The Joint Committee (JC) is constituted from the 12 Pension Fund Committee Chairs and meets quarterly. It is the collaborative vehicle through which the individual Partner Funds provide collective oversight of the performance and direction of Border to Coast. Its remit includes oversight of progress towards the pooling of Partner Fund assets as a whole.
- 10 As a S102 Committee there are agreed Terms of Reference and as these are public meetings they are operated and reported as is required. It should be noted that the JC does not have any formally delegated authority, and therefore any matters requiring decision must be considered and approved by each Pension Committee.
- 11 The Chair and Vice Chair of the JC are elected by the members of the JC on an annual basis. Secretariat functions to support the Joint Committee are provided through South Yorkshire Pensions Authority. Tyne & Wear Pension Fund act as host authority for all other matters.

#### **Officer Groups (Investor role)**

- 12 The JC is supported by the respective Statutory Officers (S151 and Monitoring Officers) and the Officer Operations Group ("OOG"), constituted from the twelve Senior Pension Fund Officers. These groups meet to discuss issues and give input to both Elected Members and Border to Coast as required.
- 13 The OOG meet monthly, with part of the meeting being attended by Border to Coast, and part in closed session. The OOG work collaboratively to ensure that due diligence over Border to Coast investment capabilities is carried out effectively on behalf of the Pension Committees.

#### **Local Pension Board (Investor role)**

- 14 In line with their role in other administrative and governance matters, the local pension boards provide support and challenge to the Pension Committee's decisions and decision-making process in relevant investment

areas, and look to ensure appropriate governance is in place to provide effective monitoring.

### **Advisors (Investor role)**

- 15 Regulations require that Pension Funds take professional advice in respect of any investment decisions, and this is generally provided through Funds appointing Independent Investment Advisors and/or Investment Consultants. They will work with the Pensions Committee and Officers to ensure that the strategic asset allocation can be effectively implemented through the use of the sub-funds available at Border to Coast.

### **Administering Authority – as the Shareholder**

- 16 Each Partner Fund also has the right to exercise corporate control and oversight through its Administering Authority's ownership of Border to Coast as an equal shareholder. Each Fund, as shareholder, owns a single equity voting share, and through the exercise of its voting rights across a range of reserved matters demonstrates its exercise of "significant control" as required under "teckal" (Border to Coast Pensions Partnership is a teckal company i.e. one that is set up under the Teckal procurement exemption).
- 17 In general, shareholders' role in the governance of a company is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place within the company. In the case of the Border to Coast, shareholders also retain certain rights under a Shareholder Agreement entered into by all shareholders at the time of its incorporation, including approval of the annual Strategic Plan (including: annual Budgets, cash flow, balance sheet, cost sharing and regulatory capital assessment), Company pensions provision, admission of new shareholders and cost sharing.
- 18 The shareholder representative must be a nominated individual, as the Administering Authority cannot physically appear at a Company's shareholder meeting. The shareholder representative for Lincolnshire is the Executive Director of Finance and Public Protection. The shareholders carry out their duties typically by written resolution, with advice from the officers, Section 151 and monitoring officers, as deemed appropriate.
- 19 Border to Coast will hold an Annual General Meeting to provide the shareholders with a forum for discussion about the Company's performance against the wider pooling objectives and to hold the Border to Coast directors to account for this. This would also provide a forum for discussion regarding future strategic capability build and agreement for changes to the budget to support such developments. The primary Border to Coast contact for shareholders will be with the Chair, Chief Executive Officer (CEO) and Chief Operating Officer (COO).

## **Border to Coast Board**

- 20 The Board is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs, having due regards to its shareholders, customers and other stakeholders as a whole. The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed. The Board sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives and reviews management performance. The Board sets the Company's values and standards and ensures that its obligations to its shareholders, customers and other stakeholders are understood and met.
- 21 In carrying out these responsibilities, the Board must have regard to what is appropriate for the Company's business and reputation, the materiality of the financial and other risks inherent in the business and the relevant costs and benefits of implementing specific controls.
- 22 The Board is comprised of suitably skilled and experienced individuals who collectively have sufficient knowledge and understanding of all the Company's markets and products to be able to discharge all their responsibilities in an effective, efficient and compliant manner.
- 23 In addition to the Executive Directors and the Non-Executive Directors (NED), Border to Coast also has representation from its Shareholders on the Board, with two shareholder NED's.

## **Border to Coast Management Team**

- 24 The Board has delegated the management of the Company on a day-to-day basis to the Chief Executive Officer (CEO), subject always to those matters reserved for decision by the Board or its committees. The CEO has in turn delegated certain responsibilities to her direct reports (Chief Operating Officer, Chief Investment Officer and Chief Risk Officer). A number of committees have been created to assist the CEO in her decision-making or to monitor certain activities.
- 25 The CEO reports regularly to the Chairman and the Board with appropriate, timely and quality information so that it can discharge its responsibilities effectively. Her specific responsibilities include the following:
  - Strategy and Business Planning
  - Leadership and Corporate Governance
  - Human Resources
  - Pensions
  - Risk Management and Controls
  - Finance

- Customer Services, Conduct Risk Management and Treating Customers Fairly
- Communications and Shareholder Liaison

### **The Financial Conduct Authority (FCA) – the regulator**

26 Border to Coast is approved and regulated by the Financial Conduct Authority as an Alternative Investment Fund Manager (AIFM). This means the Company and its employees must meet certain standards of conduct in the operation of its business. The Regulator may carry out investigations if it believes that an organisation is not meeting the appropriate standards. It has wide-ranging powers of intervention and sanction.

### **The Depositary**

27 In a regulated collective investment vehicle such as the Border to Coast Authorised Contractual Scheme (ACS), a depositary is appointed to act on behalf of investors. Northern Trust has been appointed as the depositary for the Border to Coast ACS. Its duties include:

- Safeguarding assets of the authorised fund via its custody services or utilising a sub-custodian.
- Oversight of manager's activities e.g. unit pricing, dealing, portfolio management.
- Oversight of how the manager is discharging its responsibilities.
- Cash flow / liquidity oversight.
- Distributions.
- Protecting the best interests of investors.
- Reporting breaches of FCA guidance to the FCA (including any due diligence findings).

### **Conclusion**

28 As can be seen from the detail above, Border to Coast has a very well defined governance structure, and is subject to comprehensive oversight and challenge from a number of key stakeholders, including investors, shareholders, industry and regulatory bodies. Within Lincolnshire, officers have day-to-day contact with Border to Coast and regular reports are taken to both the Pensions Committee and the Pension Board.

### **Consultation**

#### **a) Have Risks and Impact Analysis been carried out?**

Yes

## **b) Risks and Impact Analysis**

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

## **Background Papers**

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Jo Ray, who can be contacted on 01522 553656 or [jo.ray@lincolnshire.gov.uk](mailto:jo.ray@lincolnshire.gov.uk).

This page is intentionally left blank

**Open Report on behalf of Pete Moore - Executive Director of Finance and Public Protection**

Report to:	<b>Lincolnshire Pension Board</b>
Date:	<b>10 January 2019</b>
Subject:	<b>Border to Coast Pensions Partnership Joint Committee Scheme Member Representative</b>

**Summary:**

The Border to Coast Pensions Partnership Joint Committee have approved the addition to its membership one non-voting scheme member representative, together with a standing substitute.

The Local Pensions Board Chairs are asked to facilitate a process for the scheme member representatives on the Board to nominate up to one candidate to be scheme member representative on the Joint Committee and to identify how the scheme member representatives will cast their fund's vote.

**Recommendation(s):**

The Pensions Board are asked to:

- 1) Ensure that the Local Pensions Board scheme member representatives put in place an arrangement to consider if they want to put forward a nomination for the scheme member representative on Border to Coast Joint Committee; and
- 2) Ensure that the Local Pensions Board Scheme Member Representatives put in place an arrangement to cast their vote.

**Background**

- 1 The Border to Coast Joint Committee has been discussing, for some time, the options for ensuring scheme member representation on the Joint Committee. At its last meeting, on 21 November, the Joint Committee approved the addition to its membership of one non-voting scheme member representative together with a standing substitute.
- 2 These roles are to be filled from the scheme member representatives on the Local Pension Boards of the twelve Partner Funds. An election will be carried out on the basis of "one fund, one vote", consistent with other arrangements within the Partnership. The vote on behalf of any fund should only be

determined by the scheme member representatives on that Fund's local pension board.

- 3 The Local Pension Board Chairs have been asked to facilitate the process for the scheme members on the Board to:
  - Nominate up to one candidate for Scheme Member Representative on the Joint Committee (**Appendix A** to this report sets out a role profile for the Scheme Member Representative); and
  - Put in place arrangements for them to cast the fund's vote.
- 4 It is the wish of the Joint Committee to have elected the representative and substitute in time for the next meeting of the Joint Committee, which will be held on 11 March 2019. Therefore the timeline is as follows:
  - Nominations together with a supporting statement of up to 250 words together with a digital photograph will be required by 31 January 2019; and
  - Local Pension Boards should submit by 31 January the contact details of the scheme member representative who will be casting their fund's vote
- 5 The process of election will be completed by 22 February 2019.

## **Conclusion**

The Chair of the Local Pension Boards from Border to Coast twelve partner funds have been asked to facilitate the process for selecting a scheme member representative and standing substitute for the Border to Coast Joint Committee.

## **Consultation**

### **a) Have Risks and Impact Analysis been carried out?**

Yes

### **b) Risks and Impact Analysis**

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

## **Appendices**

These are listed below and attached at the back of the report	
Appendix A	Scheme Member Representative - Draft Role Profile

## **Background Papers**

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Claire Machej, who can be contacted on 01522 553641 or [claire.machej@lincolnshire.gov.uk](mailto:claire.machej@lincolnshire.gov.uk).

This page is intentionally left blank

## **Draft Role Profile**

### **Border to Coast Pensions Partnership Joint Committee – Scheme Member Representative**

#### **Core Purpose of the Role**

The core purpose of the role is two-fold:

1. To ensure that the members of the Border to Coast Joint Committee are made aware of the views of scheme members on the issues which they are considering.
2. To ensure that information on the decisions made by and the debates carried out within the Joint Committee are fed back to scheme members through their representatives on the local pension boards of the partner funds.

#### **Term of Office and Selection**

The scheme member representative will be elected for a period of 2 years with a limit of 2 terms.

Selection will be by election from amongst the scheme member representatives on the local pension boards of the partner funds on the basis of one fund one vote exercised by the scheme member representatives on the 12 Local Pension Boards.

Each Local Pension Board will be able to nominate one candidate from amongst its scheme member representatives.

Elections will be conducted using the single transferable vote system to ensure that the representative elected has a substantial basis of support across the 12 partner funds, and to ensure that the process of election can be carried out without the continual reference back that would be required using other systems.

The second place candidate in any election will be elected as a substitute representative to serve for an identical term of two years. The substitute representative will receive all papers for meetings of the Joint Committee but will only be able to participate in meetings in the absence of the Scheme Member Representative.

#### **Eligibility**

To be eligible for this role an individual must be a member (active, deferred, or pensioner) of one of the partner funds within the Border to Coast Pensions Partnership. On ceasing to be a member of one of the partner funds, or on ceasing to be a member of one of the partner funds' local pension boards an individual will become ineligible and will cease to hold office.

## **Commitment**

In addition to any commitment to the work of the local pension board of which they are a member a scheme member representative on the Border to Coast Joint Committee will be expected to attend as a minimum meetings of the Joint Committee (4 per year) and the Border to Coast annual conference (2 days per year). The representative may choose additionally to spend time familiarising themselves with how the Border to Coast operating company runs its affairs.

The individual undertaking the role will be expected to formally feedback in writing to the local pension boards of the partner funds following each Joint Committee meeting, and to produce an annual report which can be made available to the members of all the participating funds. Any member of a local pension board has a statutory obligation to maintain an appropriate level of knowledge and understanding of the issues with which the Board is dealing. It is expected that in fulfilling this obligation any scheme member representative will have sufficient knowledge and understanding to participate in the work of the Joint Committee.

## **Conflicts of Interest**

A scheme member representative as a member of a local pension board should have completed a register of interests and be familiar with issues where a conflict of interest might arise.

As a member of the Joint Committee a scheme member representative must disclose the fact that they have a conflict of interest in relation to any item where they feel this is the case. The relevant officer will provide advice as to whether the representative may participate in debate, stay in the room and not participate or should leave the meeting for the relevant item. These rules apply equally to councillors.

## **Confidentiality**

The Joint Committee operates under the terms of the Local Government Acts and some items which it discusses are discussed in private, for example where they concern the details of commercial contracts with third parties.

The Scheme Member representative will be present for **all** the Joint Committee's discussions whether in public or in private, and will receive **all** papers and be able to contribute to **all** debates, unless precluded from doing so by a conflict of interest.

As is the case with Councillors the Scheme Member representative will be limited in what they can disclose in relation to items discussed in private when reporting back to stakeholders. Appropriate support and guidance is available from fund officers on these issues. Equally scheme member representative(s) should not engage in widespread consultation for example with members of partner funds' local pension boards, on issues due to be considered in private before meetings.

## **Expenses**

Reasonable travel expenses in association with attendance at meetings of the Joint Committee and attendance at the Border to Coast Annual conference will be reimbursed from the Joint Committee annual budget. It is considered to be appropriate to cover travel expenses as the Scheme Member representatives will be considered to be acting on behalf of the scheme members from all 12 funds.

This page is intentionally left blank