

	<p>Pension Fund Sub Committee 24th September 2009</p> <p>Report from the Director of Finance and Corporate Resources</p>
For Action	Wards Affected: ALL
Report Title: PENSION FUND ACCOUNTS 2008/09	

1. SUMMARY

1.1 This report introduces the final Pension Fund accounts for 2008/09.

2. RECOMMENDATIONS

2.1 Members are asked to note the accounts. .

3 DETAIL

3.1 The Department for Communities and Local Government (DCLG) introduced regulations in June 2007 requiring each local government pension fund to produce a separate annual report and accounts. Members will be aware that the Brent Pension Fund has produced a separate Annual Report and Accounts for many years.

3.2 The draft 2008/09 Pension Fund accounts were presented to members on 23rd June. The final accounts are attached as part of Appendix 2 (pages). The DCLG has stipulated that a number of existing documents should be included with the report, as well as a number of new requirements. It was hoped that a Final Report and Accounts could be presented to members at this meeting, but the late and very detailed requirements of the CIPFA Guidance, which remains in draft, has meant that some items will be added later, such as

- a) contributions for each employer, analysed by employer and employee.
- b) analysis of pensioners in receipt of enhanced retirement benefits (ill-health / early retirement enhancements).
- c) Age profile of members within five year bandings.

4. FINANCIAL IMPLICATIONS

These are set out within the report.

5 DIVERSITY IMPLICATIONS

The proposals in this report have been subject to screening and officers believe that there are no diversity implications arising from it.

6 STAFFING IMPLICATIONS

None

7 LEGAL IMPLICATIONS

There are no legal implications arising from the plans.

8 BACKGROUND

Pension Fund Sub Committee – Pension Fund Accounts 2008/09 – June 23rd 2009-09

Persons wishing to discuss the above should contact the Exchequer and Investment Section, Brent Financial Services, on 020 8937 1472/74 at Brent Town Hall.

DUNCAN McLEOD
Director of Finance and
Corporate Resources

MARTIN SPRIGGS
Head of Exchequer and Investment

**BRENT PENSION FUND
ANNUAL GOVERNANCE STATEMENT
2008/09**

Scope of responsibility

The Council is responsible for ensuring that its 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Council delegates responsibility for managing the Pension Fund to the Pension Fund Sub Committee, which reports to the General Purposes Committee of the Council.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is contained in the council's Constitution and can be found on our website at <http://www.brent.gov.uk/Democracy.nsf/>.

This statement explains how the Council, as administering authority for the Pension Fund, has complied with the code and also meets requirements in relation to the publication of a statement on internal control. It focuses on the issues of internal control, whereas the statement contained in the main accounts for the Council is more concerned with the wider issues of governance for the whole authority.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the pension fund is directed and controlled and accounts to stakeholders.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework

The key elements of the systems and processes that comprise the Council's governance arrangements are set out over the following pages against the six core principles upon which the CIPFA/SOLACE Framework is based. The six core principles, adapted for the Pension Fund, being as follows:

1. Focusing on the purpose of the administering authority and on outcomes for stakeholders;
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of members and officers to be effective; and
6. Engaging with stakeholders to ensure robust public accountability.

Each of these core principles are broken down into a number of supporting principles and these will be used by the administering authority on an annual basis to review the overall governance framework, as well as to identify specific actions needed to address any weaknesses and/or to achieve further improvement in the year ahead.

CORE PRINCIPLE 1 - Focusing on the purpose of the administering authority and on outcomes for stakeholders		
The local code should reflect the requirements for administering authorities to:	Position at March 2009	Actions Needed to Address Weaknesses and responsible officer
1. Develop the administering authority's purpose and vision	<p>The Pension Fund Sub Committee has agreed the following policies to set out its aims and practices:</p> <p>a) The Statement of Investment Principles, which sets out how the fund is managed and administered.</p> <p>b) The Funding Strategy Statement, which sets out how the Fund will meet its liabilities.</p> <p>c) The Fund governance statement, which sets out the membership of the Pension Fund Sub Committee and how it works.</p> <p>d) The Communication Strategy, which sets out Pension Fund issues are communicated to members via the website and regular newsletters. Employers are contacted by letters.</p>	Ensure that communication is regular (M.Spriggs / A.Gray)
2. Review policies on a regular basis	The Statement of Investment Principles is reviewed on an annual basis. Other statements are reviewed on an occasional basis.	
3. Publish an annual report on a timely basis to communicate the fund's activities and achievements, its financial position and performance.	<p>A review of performance and summary of accounts is produced annually.</p> <p>A summary report and accounts is produced for members and published on the website.</p>	
4. Decide how the quality of service for users is to be measured and make sure that the information needed to	The Annual Report contains details about service standards and achievement of standards.	The service standards and achievement of standards should be published separately on the website to inform stakeholders

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review service quality effectively and regularly is available.		(A.Gray)
5. Put in place effective arrangements to identify and deal with failure in service delivery.	Potential service failure is identified through the monthly review of service with the Fund's administrator, the London Pension Fund Authority (LPFA). An action plan, with timescales, is agreed with the LPFA.	

CORE PRINCIPLE 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles		
The local code should reflect the requirements for administering authorities to:	Position at March 2009	Actions Needed to Address Weaknesses and responsible officer
1. Set out a clear statement of respective roles and responsibilities of members and officers.	<p>Article 2 of the Constitution describes the role of Members of the Council, the Executive, Mayor, Full Council and overview and Scrutiny.</p> <p>Up to date job descriptions are in place for Senior Officers.</p> <p>Monitoring Officer Advice Notes give advice to Members on decision making and standards of conduct.</p> <p>Local Democracy and Standards WebPages are updated regularly.</p>	

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	<p>All non-confidential reports and minutes are now on the Internet.</p> <p>The Statement of Investment Principles sets out the different roles of members, officers, managers, the Independent Adviser and the Actuary.</p>	
2. Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers.	<p>Roles and responsibilities are covered in the Constitution. Draft job descriptions were not formally adopted by Members however these are now to be reviewed by Constitutional Working Group (CWG).</p> <p>Up to date job descriptions are in place for Senior Officers.</p>	
3. Determine a scheme of delegation and reserve powers within the Constitution.	<p>Clearly set out in the Constitution.</p> <p>The Legislation Tracker shows which CMT member is responsible for implementation of emerging legislation.</p> <p>The Borough Solicitor maintains a register of officer authorisations.</p> <p>The Constitution is renewed and reported to full Council every May.</p>	
4. Make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management.	Covered in the Constitution and job descriptions.	

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<p>5. Make a senior officer (usually the section 151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.</p>	<p>Covered in the Constitution and job description.</p> <p>Covered by statute and Financial Regulations.</p> <p>All reports have to be cleared by the Director of Finance & Corporate Resources. Director attends all Leader's briefings and meetings of the Executive and full Council.</p>	
<p>6. Make a senior officer (other than the Responsible Financial Officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations are complied with.</p>	<p>Covered in the Constitution and job descriptions.</p> <p>Covered by statute and Financial Regulations.</p> <p>All reports have to be cleared by the Borough Solicitor who attends all Leader's briefings and meetings of the Executive and full Council. A lawyer also attends all other committee meetings and is responsible for issuing the legislation tracker, monitoring officer advice notes and legal bulletins.</p>	

CORE PRINCIPLE 3 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour		
The local code should reflect the requirements for local authorities to:	Review January to March 2009	Actions Needed to Address Weaknesses and responsible officer
<p>1. Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect.</p>	<p>The Member Code of Conduct includes the 10 general principles of conduct, including respect for others, leadership and stewardship. The Constitution contains the Planning Code of Practice, Licensing Code of Practice, Code of Practice on Publicity and the protocol for Member Officer Relations. Members and Chief Officers work collaboratively on the Policy Coordination Group, Leader's Briefing, Service Planning and Budget Awaydays.</p>	<p>Ongoing training and support offered to Executive members. Regular meetings undertaken with senior officers. (Member Development Manager)</p>
<p>2. Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols.</p>	<p>New Code of Conduct for Officers agreed 2005. Other codes, including the IT Usage Policy and Harassment Policy are all held on the intranet. Staff are made aware of their responsibilities through general communications, such as the Chief Executive Newsletter, Insight Magazine and via attachments to payslips, as well as at team briefings.</p> <p>The Improving Brent Programme sets out the requirement for having the highest standards of ethical behaviour across the organisation.</p> <p>New Anti-Fraud Framework, replacing the earlier 2003 framework, was publicised and issued in February 2008. Work is ongoing on raising staff and member awareness through training presentations.</p> <p>The Brent Member Code of Conduct reflects the model code published by the government, having been reviewed and amended in September 2007.</p>	

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The local code should reflect the requirements for local authorities to:	Review January to March 2009	Actions Needed to Address Weaknesses and responsible officer
<p>3. Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.</p>	<p>Review of Members' and officers' gifts and hospitality completed and reported to Standards Committee and Director of HR.</p> <p>The Constitution contains various other codes including: Licensing, Planning, Member Officer Relations. Advice notes are issued by the Borough Solicitor regarding conduct.</p> <p>The registers of Members' interests and Members' gifts and hospitality are now placed on the web site enabling easy public access.</p>	
<p>4. Develop and maintain shared values including leadership values both for the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners.</p>	<p>The Member Code of Conduct includes reference to Leadership and Stewardship and other values.</p> <p>A new Code of Conduct and competency framework has been developed for managers and staff together with a management charter which all set out the expected behaviours for officers, including Leadership and working with others.</p>	
<p>5. Put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.</p>	<p>Standards of conduct for Members are set out in the Constitution.</p> <p>Protocol for Member/officer relations is set out in Constitution.</p> <p>Standards Committee has remit to monitor compliance.</p>	

CORE PRINCIPLE 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk Taking informed and transparent decisions which are subject to effective scrutiny and managing risk		
The local code should reflect the requirements for local authorities to:	Position at March 2009	Actions Needed to Address Weaknesses and responsible officer
<p>1. Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.</p>	<p>Decision making arrangements are set out in the Constitution. The Council operates a Leader and Cabinet (Executive) model of decision making. In the case of the pension fund, all decisions are made by the Pension Fund Sub Committee. There are currently no decision making powers delegated to individual Members. In accordance with the Local government Act 2000, the Council has mechanisms in place to allow the effective, independent and rigorous examination of the proposals and decisions by the Executive. These mechanisms involve the Overview and Scrutiny process including call-in and question time. The conduct of the Council's business is governed by the Constitution, which includes Standing Orders and Financial Regulations.</p> <p>Decision making meetings of the Pension Fund Sub Committee are open to the public.</p> <p>Copies of reports and decisions are available on the intranet and through the One Stop Shop and Libraries.</p> <p>All meetings are clerked by well trained and experienced committee support officers and lawyers are present to provide advice on law and procedure.</p>	
<p>2. Put in place arrangements to safeguard members and</p>	<p>Review of Members' and officers' gifts and hospitality completed and reported to Standards Committee and Director of HR.</p>	

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employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.	<p>The registers of Members' interests and gifts and hospitality are now placed on the web site enabling easy public access.</p> <p>The Monitoring Officer prepares an annual report to the Standards Committee.</p>	
3. Develop and maintain an effective audit committee (or equivalent) which is independent or make other appropriate arrangements for the discharge of the functions of such a committee.	<p>The Audit Committee was established in 2007 and has met quarterly. The terms of reference are set out in the Constitution.</p> <p>The provision of the internal audit function within the Council is through the Audit & Investigations Team, working in partnership with Deloitte & Touche Public Sector Internal Audit Ltd. The Audit Committee approve the annual Internal Audit Plan and receive progress reports at each quarterly meeting. The internal audit team have reviewed aspects of the pension fund. The team found that the authority could have substantial assurance that the systems of internal control were sound and being followed. The auditor raised some issues about the timely completion of monthly and quarterly reconciliations which are being addressed.</p> <p>External audit is provided by the Audit Commission. Their plans, interim reports and annual audit letter are all presented to the Audit Committee. The pension fund accounts are audited annually.</p>	
4. Put in place effective transparent and accessible arrangements for dealing with	The Council has a well regarded corporate complaints procedure that has been praised and endorsed by the Local Government Ombudsman (LGO), as set out in the annual LGO letter and our	

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complaints.	<p>annual report on complaints which is submitted to the Overview and Scrutiny Committee.</p> <p>Complaints are initially handled by service area managers and, if appealed, by trained complaints officers within departments. A central team is also in place with the Policy & Regeneration Unit to handle escalated complaints on behalf of the Chief Executive and to oversee the process as a whole.</p>	
5. Ensure that those making decisions whether for the authority or partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.	<p>Members are required to make sound decisions based on written reports which are prepared in accordance with the report writing guide and have to be cleared by both Finance and Legal.</p> <p>Members have attended both general and specific pension fund investment training skills sessions. A programme of training and development is in place to support Members and provide them with enough information and the skills to be able to make effective decisions.</p>	<p>In addition to mentoring support for Executive members a new programme will be publicised and promoted with specific training for chairing meetings planned.</p> <p>(Member Development Manager)</p>
6. Ensure that arrangements are in place for whistle blowing to which staff and all those contracting with the authority have access.	<p>New Whistleblowing Policy now in place. This has been publicised to staff and is on the intranet under 'Raising Concerns'. The new policy is more explicit regarding contractors/agents and the points of contact outside the authority.</p> <p>Whistleblowing allegations are dealt with, in the first instance, by the Audit & Investigations Team.</p>	
7. Actively recognise the limits of lawful activity placed on them by, for example the ultra	See above section 6. In addition regular Monitoring Officer Advice Notes are issued.	

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vires doctrine but also strive to utilise powers to the full benefit of stakeholders.		

CORE PRINCIPLE 5 - Developing the capacity and capability of members and officers to be effective		
The local code should reflect the requirements for local authorities to:	Position at March 2009	Actions Needed to Address Weaknesses and responsible officer
1. Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis.	The Council runs a Member development programme which is reported to the Standards Committee annually. The Borough Solicitor provides training to new and existing Members on decision making and standards of conduct. Members are offered induction training on aspects of pension fund investment.	
2. Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the organisation.	Officers have an annual appraisal containing developmental objectives linked to the Corporate Strategy and Departmental Service Plans. The Council's Corporate Learning and Development Plan and service offering are based on the needs identified in individual appraisals and Service Plans. Workforce Development Plans have now been completed for all Service Areas. Each role has a job description and role specification. All the statutory officers are members of the Corporate	

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	Management Team (CMT).	

CORE PRINCIPLE 6 - Engaging with stakeholders to ensure accountability		
The local code should reflect the requirements for local authorities to:	Position at March 2009	Actions Needed to Address Weaknesses and responsible officer
1. Make clear to themselves, all staff and stakeholders, to whom they are accountable and for what.	<p>Annual reports are sent to key stakeholders and put on the website. The annual report includes investment and service performance reports.</p> <p>Stakeholders have representation on the Pension Fund Sub Committee. A representative from the GMB Union is present to represent staff interests.</p>	
	<p>Regular letters are sent to employers, updating them on investment decisions and performance, and highlighting major changes in the pension scheme.</p> <p>Newsletters are regularly sent to staff.</p> <p>An annual meeting is held with staff to outline the performance of the Fund, and management changes, and changes to the Local Government Pension Scheme.</p>	
2. Hold meetings in public unless there are good reasons for confidentiality.	All meetings are held in public. Some parts of meetings are held in private when exempt or confidential information might be disclosed. This is subject to the agreement of the members	

CORE PRINCIPLE 6 - Engaging with stakeholders to ensure accountability		
The local code should reflect the requirements for local authorities to:	Position at March 2009	Actions Needed to Address Weaknesses and responsible officer
	present.	
3. Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.	A review of the Council's adherence to the Freedom of Information (FOI) Act was reported to CMT in September 2005 and the Executive in October 2005. It showed that the Council is meeting its obligations under the act and that performance is generally high with regard to responding to requests within the statutory time limit.	To undertake a repeat review of adherence to the Freedom of Information Act and the effectiveness of the processes in place to co-ordinate FOI requests.

REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit & Investigation's Annual Report and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework, is described below:

The Council

- Has monitored performance against the Corporate Strategy Objectives by taking an annual report and has set the annual budget in accordance with the Corporate Strategy priorities;
- Receives the annual budget report which summarises the financial position and the transactions for the year and considers the annual performance plan; and
- Has agreed the Constitution which sets out the decision making structure, delegated authority and financial regulations which underpin the internal control framework. This follows cross party review by the Constitutional Working Group.

The Pension Fund Sub Committee

- Makes key decisions in accordance with the asset allocation for the fund, investment opportunities and manager performance;
- Reviews performance on both an annual and a quarterly basis;
- Meets with managers on a regular basis
- Reviews progress against an annual and three year Work Plan agreed by the Sub Committee each year..

The Audit Committee

- Has met four times during 2008/09 and has considered the work of Internal Audit during the year, the Head of Internal Audit's annual report and opinion and the External Auditor's annual letter;
- Maintains an overview of the Council's Constitution in respect of contract standing orders and financial regulations;
- Monitors the effective development and operation of risk management and corporate governance in the Council; and

- Reviews the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

The Standards Committee

- Receives reports from the council's Monitoring Officer on issues concerning member conduct and would consider reports referred from Ethical Standards Officers or the Monitoring Officer which require investigation and/or determination.

Audit & Investigations

- Provide assurance to the Council on operational and financial controls via delivery of an agreed audit plan;
- Produce an Annual Audit Report including the Head of Audit annual opinion on the Council's internal controls; and
- Where identified as a result of audit work, significant internal control weaknesses have been reported to Service Directors and copied to the relevant Service or Corporate Area Director. Recommendations for improvement are made in each report. Each significant audit report is followed up after a suitable period and any failure to implement recommendations is noted and reported back to the relevant director and the Audit Committee.

External Audit and Inspectorates

- The Director of Finance & Corporate Resources meets with the Council's external auditors on a monthly basis and, if appropriate, they raise any concerns they have regarding the internal control environment. These meetings become more frequent during the closing of the accounts process when any material weaknesses or issues are raised; and
- The outputs from various Inspectorates in relation to the Comprehensive Performance Assessment (CPA) provide some assurance as to the internal control environment. The latest assessment in February 2009, the last under the CPA regime, gave the Council a three star, "improving strongly" rating, its highest rating to date.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Signed:.....

Cllr George Crane

Chair of the Pension Fund Sub Committee

Gareth Daniel

Chief Executive

